

# HISAR SPINNING MILLS LIMITED

REGD. OFF. & WORKS : 9th K.M. STONE, HISAR-BHIWANI ROAD, V.P.O. DABRA (HISAR)-125005

TEL/FAX : 91-1662-260397, Mob. : 98120-22682

CIN : L17112HR1992 PLC031621, E-mail : hsm12000@rediffmail.com

Dated: 03/10/2018

Dept. of Corporate Services  
The Bombay Stock Exchange Limited  
Registered Office: Floor 25,  
P J Towers, Dalal street  
Mumbai 400001

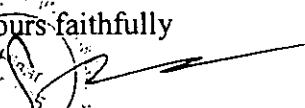
Sub: Compliance of Clause 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – (SCRIP CODE 521068).

Dear Sir,

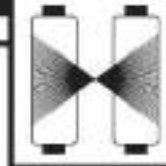
Please find enclosed a copy of annual report of the company for the year ended March 31, 2018 for your reference and records.

We request you to display the above on the notice board of the Exchange for the information of all the stakeholders.

Thanking You,

Yours faithfully  
  
Authorised Signatory

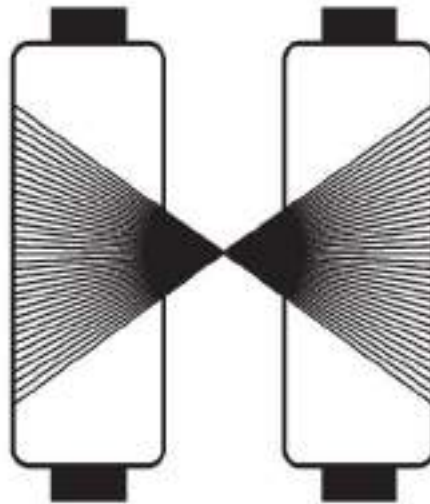
CHD. OFF. : 707, INDUSTRIAL AREA, PHASE-I, CHANDIGARH. TEL / FAX : 91-172-2659754



**26th**

**ANNUAL REPORT**

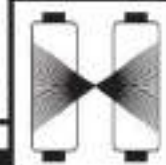
**2017-2018**



H S M L



**HISAR SPINNING MILLS LIMITED**





**BOARD OF DIRECTORS**

**Mr. Anurag Gupta**  
Managing Director  
DIN : 00192888

**Mr. Mithlesh Kumar Gupta**  
Independent Director  
DIN : 07692870

**Mr. Sandeep Suri**  
Independent Director  
DIN : 07693480

**Mr. Sudesh Kumar Garg**  
Independent Director  
DIN : 07692820

**Mr. Nikhil Goel**  
Non Executive Director  
DIN : 01741446

**Mrs. Sapna Kansal**  
Executive Director  
DIN : 06892410

**AUDIT COMMITTEE**

**Mr. Mithlesh Kumar Gupta**  
Chairman (Independent Director)

**Mr. Sudesh Kumar Garg**  
Independent Director

**Mr. Anurag Gupta**  
Managing Director

**NOMINATION & REMUNERATION COMMITTEE**

**Mr. Sudesh Kumar Garg**  
Chairman (Independent Director)

**Mr. Mithlesh Kumar Gupta**  
Independent Director

**Mr. Nikhil Goel**  
Non Executive Director

**STAKEHOLDERS' RELATIONSHIP COMMITTEE**

**Mrs. Sapna Kansal**  
Member

**Mr. Anurag Gupta**  
Member

**Mr. Nikhil Goel**  
Chairman

**COMPANY SECRETARY & COMPLIANCE OFFICER**

Mr. Verinder Kamal Sood (*Appointed w.e.f. 12.06.2018*)  
Ms. Manmeet Kaur Sihota (*Appointed w.e.f. 01.09.2017*)  
Ms. Tanu Sharma (*Resigned w.e.f. 10.07.2017*)

**CHIEF FINANCIAL OFFICER**

Mr. Sharad Goel

**AUDITORS**

M/s Romesh K. Aggarwal & Associates  
Chartered Accountant  
G T Road, Miller Ganj,  
Ludhiana - 141003

**BANKERS**

Punjab National Bank  
Main Branch, Hisar 125001

**REGD. OFFICE & WORKS**

9<sup>th</sup> KM Stone, Hisar Bhiwani Road, V.P.O Dabra ( Hisar), Haryana -125005

**TWENTY SIXTH ANNUAL GENERAL MEETING**

29<sup>th</sup> day of September, 2018 i.e. Saturday at 10.00 A.M. at the Registered Office of the Company at  
9<sup>th</sup> KM Stone, Hisar Bhiwani Road, V.P.O Dabra ( Hisar), Haryana -125005

**NOTICE**

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the Shareholders of the company will be held on Saturday, the 29<sup>th</sup> day of September, 2018 at 10:00 A.M. at the Registered Office of the Company at 9<sup>th</sup>, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar to transact the following business:-

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2018 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors' and Directors' thereon.
2. To appoint a director in place of Mrs. Sapna Kansal (DIN: 06892410), Director who retires by rotation and is eligible for re-appointment.

**SPECIAL BUSINESS**

3. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:-

"Resolved that in partial modification of Annual General Meeting resolution dated September 28, 2017 and pursuant to the provisions of Sections 195, 197, 203 and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification thereto from time to time or any re-enactment thereof for the time being in force) read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Schedule V prescribed under the Act and Articles of Association of the Company and subject to the approval of such other authorities as may be required, Mr. Anurag Gupta, Managing Director (DIN No. 00192888), be paid a remuneration of Rs. 75000/- per month, for five years from the date of his appointment i.e. December 29, 2016, as per details given below:

Salary	: Rs. 45,000/- per month
Perquisites	Category-A
HRA	: Rs. 22,500/- per month.
Special Allowance	: Rs. 7,500/- per month
	Category-B
Gratuity	: Not exceeding half a month's salary for each completed year of service in accordance with the payment of Gratuity Act 1972.
	Category-C

Car - He shall be provided with the company's car with driver for performing his official duties. Use of Company's car for his private purpose shall be billed by company to his account.

Telephone - He shall be provided with Company's telephone at his residence and that all long distance personal calls shall be billed by company to his account."

4. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:-

"Resolved that pursuant to the provisions of Section 197 and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification thereto from time to time or any re-enactment thereof for the time being in force) read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Schedule V prescribed under the Act and Articles of Association of the Company and also subject to the approval of such other authorities as may be required, Mr. Anurag Gupta, Managing Director (DIN No. 00192888), be paid a remuneration of Rs. 1,25,000/- per month, w.e.f. December 14, 2017 to the remainder of his term i.e. up to December 28, 2021, as per details given below:

Salary	: Rs. 75,000/- per month
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## HISAR SPINNING MILLS LIMITED

### Perquisites

#### Category-A

HRA	: Rs. 37,500/- per month.
Special Allowance	: Rs. 12,500/- per month

Further, "Resolved that the other terms and conditions of his appointment shall remain the same."

5. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:-

"Resolved that pursuant to the provisions of Sections 196, 197, 203 and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification thereto from time to time or any re-enactment thereof for the time being in force) read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Schedule V prescribed under the Act and Articles of Association of the Company and also subject to the approval of such other authorities as may be required, Mrs. Sapna Kansal (DIN No. 06892410) be and is hereby appointed as the Whole Time Director of the company for a tenure of 5 years commencing December 14, 2017 at a remuneration of Rs. 1,25,000/- per month, as detailed below:

Salary	: Rs. 75,000/- per month
Perquisites	

#### Category-A

HRA	: Rs. 37,500/- per month.
Special Allowance	: Rs. 12,500/- per month.

#### Category-B

Gratuity	: Not exceeding half a month's salary for each completed year of service in accordance with the payment of Gratuity Act 1972.
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#### Category-C

**Car** - She shall be provided with the company's car with driver for performing her official duties. Use of Company's car for his private purpose shall be billed by company to her account.

**Telephone** - She shall be provided with Company's telephone at her residence and that all long distance personal calls shall be billed by company to her account."

For and on behalf of the Board

Place: Chandigarh  
Date: 05.09.2018  
Regd. Office:  
8<sup>th</sup>, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar

Sd/-  
(Anurag Gupta )  
Managing Director

### NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 with respect to Special Businesses set out in the Notice is annexed.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the company.

3. Pursuant to the provisions of Section 91 of the Companies Act, 2013, the register of Members and Share Transfer Books of the Company shall remain closed from 25<sup>th</sup> day of September, 2018 to 29<sup>th</sup> day of September, 2018 (both days inclusive).



4. The instrument of proxy, in order to be effective, should be deposited at the registered office of the company, duly completed and signed, not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of Limited Companies or societies etc. must be supported by appropriate resolutions/authority, as applicable.

5. In case of joint holders attending the Meeting, the joint holder who is higher in order of names under a given Folio/DPID-Client (in respect of dematerialized shares) will be entitled to vote.

6. Members/Proxies are requested to bring their copy of this Notice along with duly filled admission slip for attending the meeting.

7. Members holding shares in physical form are requested to notify their e-mail id & change in address, if any, to the Company at its Registered Office or to the Registrar & Transfer Agents-M/s Indus Portfolio Private Limited, G-65, Bali Nagar, New Delhi-110015.

8. Members holding shares in electronic form are requested to notify change in their e-mail id & address, if any, to their Depository Participant.

9. Pursuant to provisions of the Companies Act, 2013 read with the Rules framed there under, the company may send notice of general meeting and other documents through electronic mode. Further, pursuant to the first proviso to the Rule 18 of the Companies (Management and Administration) Rule, 2014, the Company shall provide an advance opportunity at least once in a financial year to the members to register their e-mail address and changes therein. In view of the same, members are requested to kindly update their e-mail address with depository participants in case of holding shares in demat form. If holding shares in physical form, Members are requested to inform their e-mail ID to the company.

10. Electronic copy of the Notice of general meeting of the company is being sent to all the members whose email ids are registered with the company/Depository Participant(s) for communication purposes. For members who have not registered their email address, physical copies are being sent by the permitted mode.

11. Pursuant to provisions of Section 108 of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014 and the provisions of Listing Agreement with Stock Exchanges, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening Annual General Meeting to be held on Saturday, the 29<sup>th</sup> day of September, 2018 at 10:00 A.M. at the registered office of the company at 9<sup>th</sup>, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar. The Company has engaged the services of CDSL to provide the e-voting facility.

12. The instructions for members for E-Voting are as under:

(i) The voting period begins on Wednesday, the 26<sup>th</sup> day of September, 2018 at 9.00 A.M. and ends on Friday, the 28<sup>th</sup> day of September, 2018 at 5.00 P.M. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Friday, the 21<sup>st</sup> day of September, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).

(iii) Click on Shareholders.

(iv) Now Enter your User ID

(a) For CDSL: 16 digits beneficiary ID.

(b) For NSDL: 8 Character DP ID followed by 8 Digits Client ID.

(c) Members holding shares in Physical Form should enter Folio Number registered with the Company.

(v) Next enter the Image Verification as displayed and Click on Login

(vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.

(vi) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department





	(Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number which is printed on Attendance Slip indicated in the PAN field.</li> </ul>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> <li>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>

(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for the relevant Company, i.e. Hisar Spinning Mills Limited on which you choose to vote. (EVSN 180831044).

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).





## **HISAR SPINNING MILLS LIMITED**

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(xx) Since, the Company is required to provide the members facility to exercise their vote by electronic means, shareholders of the company, holding shares either in physical form or dematerialized form as on the cut off date i.e. Friday, the 21<sup>st</sup> day of September, 2018 and not casting their vote electronically, may also cast their vote at the Annual General Meeting.

(xxi) The members who have cast their vote by e-voting prior to the Annual General meeting, may also attend the meeting but shall not be entitled to cast their vote again.

(xii) Mr. Sanjiv Kumar Goel, Company Secretary in practice, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair & transparent manner.

(xiii) The Scrutinizer shall, immediately after the conclusion of voting at the annual general meeting, first count the votes cast at the meeting, thereafter, unblock the votes cast through remote e-voting in the presence of at least 2 witnesses not in employment of the Company and make, not later than 3 days from the conclusion of the meeting, a Consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman, who shall countersign the same.



**EXPLANATORY STATEMENT PURSUANT TO SECTION 102  
OF THE COMPANIES ACT, 2013**

**Item No. 2**

**A brief profile of Mrs. Sapna Kansal, Director:**

Mrs. Sapna Kansal (Din: 06892410) who retires by rotation and is eligible for re-appointment.

Age: 45 years as on 31.03.2018.

Qualification: Graduate

Experience: Around 15 years experience in family business

Terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid: Appointed as Whole Time director for five years w.e.f. December 14, 2017 on the terms & conditions provided in the notice above.

Remuneration last drawn by such person: Nil

Date of first appointment on the Board: 20.06.2014

Shareholding in the company: 63,100 shares as on 31.03.2018

Relationship with other Directors, Manager and other Key Managerial Personnel of the company: No relationship with other directors. However, spouse of Mr. Naveen Kansal, Chief Executive Officer.

Number of Meetings of the Board attended during the year: 5

Other Directorships: Nil

Membership/ Chairmanship of Committees of other Boards: 1

Nature of interest of Directors: None of the Directors except Mrs. Sapna Kansal herself, is interested in the proposed resolution.

**Item No. 3**

**Modification of Resolution passed in the Annual General Meeting dated September 28, 2017**

In partial modification of the Ordinary Resolution passed at the Twenty fifth Annual General Meeting dated September 28, 2017, the Board recommends passing the aforesaid resolution as Special Resolution pursuant to the Articles of Association of the Company.

Nature of interest of Directors: None of the Directors except Mr. Anurag Gupta himself, is interested in the proposed resolution.

**Item No. 4**

**Increase in Remuneration of Managing Director:**

Mr. Anurag Gupta was appointed as Managing Director of the Company pursuant to the provisions of Section 197 and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification thereto from time to time or any re-enactment thereof for the time being in force) read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.



Schedule V prescribed under the Act and Articles of Association of the Company and also subject to the approval of such other authorities as may be required, for a period of five years w.e.f. December 29, 2016. The Board recommends enhancement of his remuneration w.e.f. December 14, 2017, as per details given in the notice above.

Age: 48 years as on 31.03.2018

Qualification: Bachelor of Engineering.

Experience: Has been associated as director of the company. He has wide experience of manufacture of yarn & financing activities.

Terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid: Appointed as Managing Director, for five years w.e.f. December 29, 2016 at a remuneration of Rs. 75,000/- per month enhanced to Rs. 1,25,000/- per month w.e.f. December 14, 2017.

Remuneration last drawn by such person: Rs. 30,000/- per month till December 28, 2016.

Date of first appointment on the Board: 28.02.2000.

Shareholding in the company: 184250 Equity Shares.

Relationship with other Directors, Manager and other Key Managerial Personnel of the company: No relationship.

Number of Meetings of the Board attended during the year: 5

Other Directorships: Nil

Membership/ Chairmanship of Committees of other Boards: Nil

Nature of interest of Directors: None of the Directors except Mr. Anurag Gupta himself, is interested in the proposed resolution.

#### **Item No. 5**

#### **A brief profile of Mrs. Sapna Kansal, Executive Director:**

Mrs. Sapna Kansal (Din: 06892410) appointed as Whole Time Director on the Board.

Age: 45 years as on 31.03.2018

Qualification: Graduate

Experience: Around 15 years experience in family business

Terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid: Appointed as Whole Time director for five years w.e.f. December 14, 2017 on the terms & conditions provided in the notice above.

Remuneration last drawn by such person: Nil

Date of first appointment on the Board: 20.06.2014

Shareholding in the company: 63,100 shares as on 31.03.2018



Relationship with other Directors, Manager and other Key Managerial Personnel of the company: No relationship with other directors. However, spouse of Mr. Naveen Kansal, Chief Executive Officer

Number of Meetings of the Board attended during the year: 5

Other Directorships: Nil

Membership/ Chairmanship of Committees of other Boards: 1

Nature of interest of Directors: None of the Directors except Mrs. Sapna Kansal herself, is interested in the proposed resolution.

**For and on behalf of the Board**

Place: Chandigarh  
Date: 05.09.2018  
Regd. Office:  
9th, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar

Sd/-  
(Anurag Gupta )  
Managing Director

**HISAR SPINNING MILLS LIMITED**

Form no. MGT-11

**Proxy Form**

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : L17112HR1992PLC031621  
Name of the Company : Hisar Spinning Mills Limited  
Registered office : 9<sup>th</sup>, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar

I/ We, being the member (s) of ..... Shares of the above named company, hereby appoint

Name:  
Address:  
Email ID:  
Signature:....., or failing him  
Name:  
Address:  
Email ID:  
Signature:....., or failing him  
Name:  
Address:  
Email ID:  
Signature:.....

as my/ our proxy to attend and vote (on a poll) for me/ us and on my/ our behalf at the Annual General Meeting of the Company, to be held on Saturday, the 29<sup>th</sup> day of September, 2018 at 10:00 A.M. at 9<sup>th</sup>, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar and at any adjournment thereof in respect of such resolutions as are indicated below:

S.NO.	RESOLUTIONS
1.	Consider and adopt the Audited Financial Statements, Reports of the Board of Directors and Auditors
2.	Re- appointment of Mrs. Sapna Kansal, retiring by rotation at the AGM.
3.	Modification of resolution passed in the last AGM held on September 28, 2017.
4.	Increase in remuneration of Mr. Anurag Gupta, Managing Director of the company.
5.	Appointment of Mrs. Sapna Kansal as an Executive Director of the company.

Signed this ..... day of September, 2018

Signature of Shareholder:

Signature of Proxy Holder (s):

Note: This form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting.



**HISAR SPINNING MILLS LIMITED**

Registered Office: 9<sup>th</sup>, KM Stone, Hisar Bhiwani  
Road, VPO Dabra, Hisar-125005  
Tel: 01662-260397, Tel/Fax:-91-1662-260397  
E-mail: [hsml2000@rediffmail.com](mailto:hsml2000@rediffmail.com)  
Website: [www.hisarspinningmills.com](http://www.hisarspinningmills.com)  
CIN: L17112HR1992PLC031621

**ATTENDANCE SLIP**

Attendance Slip for 26<sup>th</sup> Annual General Meeting  
(to be handed over at the Registration Counter)

Folio No. : \_\_\_\_\_ DP ID : \_\_\_\_\_  
No. of share(s) held : \_\_\_\_\_ Client ID : \_\_\_\_\_

Full Name of the member / proxy attending the meeting

\_\_\_\_\_  
(First Name)

\_\_\_\_\_  
(Second Name)

\_\_\_\_\_  
(Surname)

I/We hereby record my/our presence at the 26<sup>th</sup> Annual General Meeting of the company at 9<sup>th</sup>, KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar on 29<sup>th</sup> day of September, 2018 at 10:00 A.M.

Signature of the Member/Proxy present

Note: The practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued. Hence, persons attending the Meeting are requested to bring their copies of the Annual Report with them.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP AT THE MEETING.

Registered Office: 9<sup>th</sup>, KM Stone, Hisar Bhiwani  
Road, VPO Dabra, Hisar-125005  
Tel: 01662-260397, Tel/Fax:-91-1662-260397  
Website: [www.hisarspinningmills.com](http://www.hisarspinningmills.com)  
CIN: L17112HR1992PLC031621

Dear Sir,

Pursuant to provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the company is pleased to provide remote e-voting facility to the members to cast their votes electronically on all the resolutions set forth in the Notice convening the 26<sup>th</sup> Annual General Meeting to be held on Saturday, 29<sup>th</sup> day of September, 2018 at 10:00 A.M. The company has engaged the Central Depository Services Limited (CDSL) to provide the remote e-voting facility.



## HISAR SPINNING MILLS LIMITED

Your electronic voting particulars are set out below:

### ELECTRONIC VOTING PARTICULARS

EVEN (Electronic Voting Event Number)	User ID	Password
180831044		

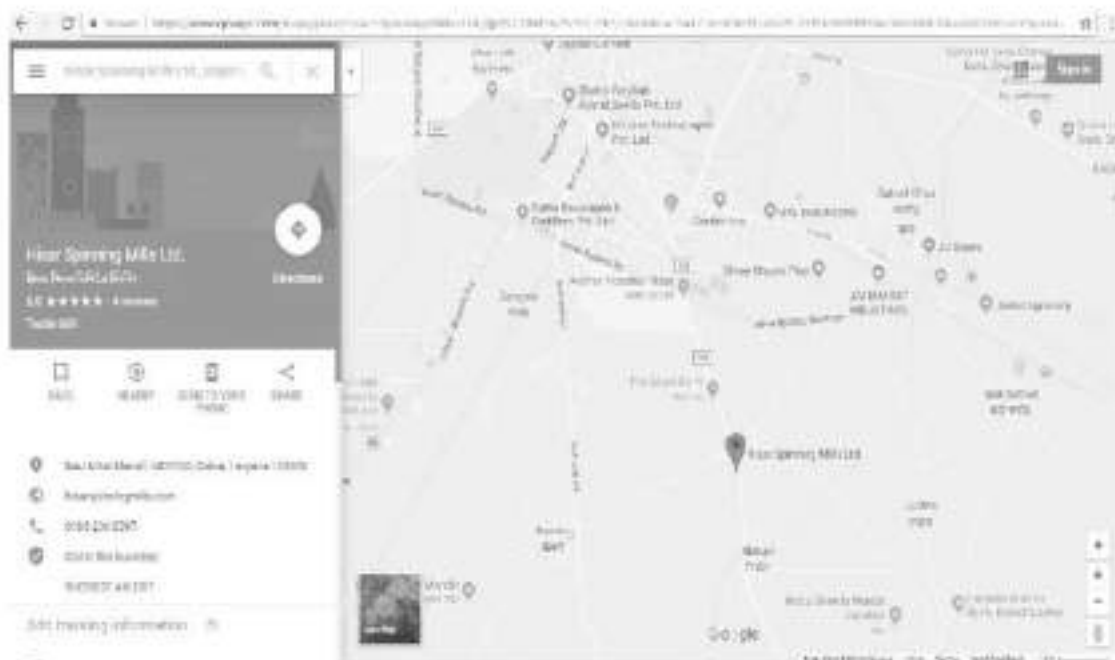
The remote e-voting facility will be available during the voting period as indicate herein below:

Commencement of remote e-voting period	End of remote e-voting period
From 9.00 A.M. IST on Wednesday, 26 <sup>th</sup> September, 2018	Till 5.00 P.M. IST on Friday, 28 <sup>th</sup> September, 2018

Notes:

1. Please read the instructions printed overleaf before exercising your vote.
2. These details and instructions form an integral part of the Notice for the 26<sup>th</sup> Annual General Meeting to be held on 29<sup>th</sup> day of September, 2018.
3. The voting rights of the members shall be in proportion to the paid up value of their shares in the equity share capital of the Company as on cut-off date of Friday, 21<sup>st</sup> September, 2018, being the record date for the purpose of voting.

### ROUTE MAP TO HISAR SPINNING MILLS LIMITED.







## Director's Report

Dear Shareholders,

Your Directors have pleasure in presenting the 26<sup>th</sup> Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2018.

(Rs. in Lakhs)		
Financial Highlights	Year ended 31.3.2018	Year ended 31.3.2017
Total income	2889.35	2897.89
Profit before Financial Cost, Depreciation, Exceptional items and Tax	434.81	439.20
Finance cost	61.45	73.85
Profit before Depreciation, Exceptional items and Tax	373.36	365.35
Depreciation	187.77	271.97
Profit before exceptional items and tax	185.59	93.38
Exceptional items	0.00	-34.60
Profit before tax	185.59	58.78
Less : Tax Expenses		
-Current tax	82.08	62.24
-Deferred tax	-37.59	-20.10
<b>Profit after tax</b>	<b>141.10</b>	<b>16.64</b>
<b>Other Comprehensive Income</b>		
A (i) Items that will not be reclassified to profit or loss		
(a) Re-measurement of the defined benefit plans	0.28	-0.18
(ii) Income tax relating to items that will not be reclassified to profit or loss	-0.07	0.05
<b>Total Other Comprehensive Income for the period</b>	<b>0.19</b>	<b>-0.11</b>
<b>Total Comprehensive Income for the period</b>	<b>141.29</b>	<b>16.53</b>
<b>Earnings per equity share:</b> (Nominal value of equity share – Rs. 10/-)		
Basic (Rs.)	3.78	0.45
Diluted (Rs.)	3.78	0.45

### OPERATIONAL & PERFORMANCE REVIEW

During the year under review, the gross receipts of your Company were Rs. 2889.35 Lakhs as against gross receipts of Rs. 2897.89 Lakhs during the previous year showing a increase of 7.1% over previous year and profit (after tax) was Rs. 141.10 Lakhs for the year as against net profit (after tax) of Rs. 16.64 Lakhs during previous year showing an increase of 747.96%. The benefits of technological up gradation of machines in 2015-16 have started accruing and the directors are optimistic about better future performance of the company.

### SUBSIDIARY COMPANY

During the year ended 31<sup>st</sup> March, 2018, the Company did not have any subsidiary company.



## HISAR SPINNING MILLS LIMITED

### DEPOSITS

The Company has not accepted or renewed any deposit from the public during the year under review pursuant to the provisions of Companies Act, 2013 and rules made there under.

### DIVIDEND

With a view to conserve resources of the company, your Directors do not recommend any dividend for the year under review.

### DIRECTORS

Pursuant to the provisions of Sections 196, 197, 203 of Companies Act 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, Mrs. Sapna Kansal, Director, was appointed as a Whole Time Director on the Board of the Company for a period of five years w.e.f. 14th December, 2017.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of Company, Mrs. Sapna Kansal, (DIN: 06892410) Director, shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offers herself for re-appointment.

The remuneration of Mr. Anurag Gupta (DIN No. 00192888), Managing Director, was enhanced to Rs. 1.25 Lakhs p.m. w.e.f. December 14, 2017 to the remainder of his term i.e. December 28, 2021.

As on 31st March, 2018, following were the Key Managerial Personnel of Company:

• Mr. Anurag Gupta	Managing Director
• Mr. Naveen Kansal	Chief Executive Officer
• Shri Sharad Goel	Chief Financial Officer
• Ms. Manmeet kaur	Company Secretary (Resigned w.e.f. 11.05.2018)

### STATUTORY AUDITORS

At the 25<sup>th</sup> Annual General Meeting of Company held on 28<sup>th</sup> September 2017, M/s Romesh K Aggarwal & Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company, for a period of five years i.e. from the conclusion of 25<sup>th</sup> Annual General Meeting of Company till the conclusion of 30<sup>th</sup> Annual General Meeting of Company, in accordance with the provisions of section 139 of Companies Act, 2013 read with Companies (Audit & Auditors) Rules, 2014.

### AUDITOR'S REPORT

Observations, if any, made in the Auditor's Report are self explanatory and do not call any explanation.

### SECRETARIAL AUDIT

Mr. Sanjiv Kumar Goel, Practicing Company Secretary has been appointed by the Board to conduct Secretarial Audit under provisions of section 204 of the Companies Act 2013. The Secretarial Audit report is annexed with the Director's Report as Annexure - 1. There is no qualification in secretarial audit report.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Energy conservation continues to be an area of major emphasis in your Company. Efforts are made to optimize the energy cost while carrying out manufacturing operations. As required by the provisions of section 134 of the Companies Act, 2013, the relevant information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in the Annexure- 2 forming part of this report.

### STATUTORY DISCLOSURES

None of the Directors of the Company are disqualified under the provisions of section 164 of the Companies Act 2013. The Directors have made the requisite disclosures, as required under the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred to as Listing Regulations).



## HISAR SPINNING MILLS LIMITED

### CORPORATE GOVERNANCE

The Company is committed to maintain the good standards of Corporate Governance. The Company has complied with the Corporate Governance requirements as stipulated under Listing Regulations. Pursuant to said Regulations, Report on Corporate Governance together with the Certificate issued by Practicing Company Secretary regarding compliance of Corporate Governance is annexed to this report.

### DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 134(3)(c) of the Companies Act, 2013, it is hereby confirmed that:

- (a) in the preparation of annual accounts for the financial year ended 31st March, 2018, the applicable accounting standards have been followed and that there are no material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2018 and of the profit of the Company for the year ended on that date;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively;
- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequately and operating effectively.

### FRAUDS REPORTED BY AUDITORS u/s 143(12)

Your company has complied with all the provisions of Section 143 of the Companies Act, 2013. Hence, there are no frauds reported by the Auditors other than those which are reportable to the Central Government. Further, no fraud has been reported to the Central Government.

### EXTRACT OF ANNUAL RETURN

The details forming part of extract of the Annual Return is given in Form MGT-9 in **Annexure - 3**.

### NUMBER OF BOARD MEETINGS

During the financial year 2017-18, five Board meetings were held. The meetings were held on 30<sup>th</sup> May, 2017, 01<sup>st</sup> September, 2017, 14<sup>th</sup> September, 2017, 14<sup>th</sup> December, 2017 and 14<sup>th</sup> February, 2018. The other relevant details of Board meetings and the attendance of the Directors etc. is given under Corporate Governance Report annexed with Director's Report.

### DECLARATION BY INDEPENDENT DIRECTORS

All Independent Directors of the Company have submitted the Declaration of Independence, as required pursuant to section 149(7) of the Companies Act 2013 and under Listing Regulations, stating that they meet the criteria of independence as provided in sub-section (6).

### PARTICULARS OF LOAN, GUARANTEES OR INVESTMENTS UNDER SECTION 186

No loans, guarantees or investments under Section 186 of the Companies Act, 2013 have been given by the Company.

### RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were in the ordinary course of business and were at arm's length basis. No Materially significant related party transactions have been entered by the Company with Promoters, Directors or Key Managerial Personnel etc. that had potential conflict with the interest of the Company at large. All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on yearly basis for the transactions which are of a foreseen and repetitive nature. The detail of transactions entered into pursuant to the omnibus approval so granted is placed before



the Audit Committee and the Board of Directors on a quarterly basis. None of the Directors has any pecuniary relationships or transactions vis-a-vis the company. The details of the same are given in Form AOC-2 and is annexed herewith.

#### **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The said policy is uploaded on the Company's website [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

The following is a summary of sexual harassment complaints received and disposed off during the financial year 2017-2018:

- a) No. of Complaints received in the year: NIL
- b) No. of complaints disposed off during the year: NIL
- c) No. of cases pending for more than 90 days: NIL
- d) No. of workshops or awareness program against sexual harassment carried out: 1
- e) Nature of action taken by the employer: NA

#### **MAINTENANCE OF COST RECORDS**

The maintenance of cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013, is not applicable to the Company and accordingly such accounts and records are not made and maintained.

#### **MATERIAL CHANGES FROM END OF FINANCIAL YEAR TILL DATE OF REPORT**

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report other than those disclosed in the financial statements.

#### **RISK MANAGEMENT POLICY**

Risk management is a continuous process across the organization designed to identify, assess and frame a response to threats that affect the achievement of its objectives. It enables management to prepare for risks before they devolve to improve the operational effectiveness. Determination of the risk appetite allows management to deploy resources according to the need. The Company firmly believes that to ensure effective risk management, there ought to be risk management plans to handle the risks based on the priorities and challenges of the business. The factors involved in identified risks must be considered and the accuracy of assessment is very important. This implies, if proper risk management is implemented as a best practice then massive capital losses can be prevented. The success of the Risk Management Framework depends on the efforts taken to mitigate/ reduce either the probability or consequence of the risk/ threat. Therefore considering the same, Company's Risk Management Policy includes three key elements:

- I. Risk Assessment
- I. Risk Management and Risk Mitigation
- II. Risk Monitoring

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed effectively. Adhering the same, Company has constituted Risk Management Committee and adopted an effective Risk Management Policy in its place to assess, mitigate and to monitor the different risks exposed to the industry in which it operates. Risk management policy of the company is available at company's website [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

#### **POLICY ON DIRECTOR'S APPOINTMENT & REMUNERATION AND OTHER PRESCRIBED MATTERS**

The Nomination and Remuneration Committee constituted by the Company functions in accordance with the terms of reference as set out under provisions of Clause 49 of Listing Agreement read with provisions of Section 178 of the Companies Act, 2013 & rules made thereunder. Apart from other Corporate Policies which are mandatory under Companies Act as well as under Listing Agreement, the said Committee has also formulated and recommended to the



Board a Nomination & Remuneration Policy relating to director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and all other matters as stipulated under the provisions of section 178 of Companies Act 2013.

The policy also relates to remuneration of Director's, KMP's and other employees of the Company. The said policy is given in **Annexure-4**.

#### **INTERNAL FINANCIAL CONTROL SYSTEM AND ITS ADEQUACY**

Your Company maintains an adequate and effective Internal Control system commensurate with its size and complexity. Internal control systems provide, among other things, a reasonable assurance that transactions are executed with Management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of your Company are adequately safeguarded against significant misuse or loss.

During the year under review, the Company continued to implement their suggestions and recommendations to improve the internal financial control environment. Their scope of work inter-alia includes review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. In addition to statutory audit, the financial controls of the Company at various locations are reviewed by the Internal Auditors, who report their findings to the Audit Committee of the Board. The Audit Committee actively reviews the adequacy and effectiveness of internal control system and suggests further strengthening the same, wherever required.

#### **DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS**

During the year under review, there is no material order(s) passed by the regulators or courts or tribunal impacting the going concern status and company's operation in future.

#### **DISCLOSURE REGARDING COMPANIES (SHARE CAPITAL AND DEBENTURE) RULES 2014**

The paid up listed equity share capital of the Company as at 31<sup>st</sup> March 2018 was Rs. 3,73,50,000/- comprising of 37,35,000 equity shares of Rs. 10/- each. As required under Companies (Share Capital and Debenture) Rules 2014, during the year under review, the Company has not issued equity shares with differential voting rights, sweat equity shares, preference shares and employee stock options and also not made any provision for purchase of its own shares by employees or by trustees.

#### **DISCLOSURE REGARDING VOTING RIGHT NOT EXERCISED DIRECTLY BY THE EMPLOYEES**

During the year under review, there is NIL disclosure as required under provisions of section 67(3) of Companies Act 2013.

#### **AUDIT COMMITTEE**

Audit Committee constituted by the Company functions in accordance with the terms of reference as set out under the provisions of Clause 49 of Listing Agreement read with provisions of Section 177 of Companies Act, 2013 & rules made thereunder and additional responsibilities assigned to it by Board of Directors of the Company. The Committee reviews the internal audit reports and findings of internal auditors along with the comments of management. The functions of the Audit Committee among others include approving and implementing the audit procedures, effective supervision of financial reporting system, Whistle Blower Mechanism, internal control and procedures, recommending appointment of Statutory Auditors, Cost Auditors to Board and also ensuring compliances with regulatory guidelines. The Board has constituted the Audit Committee comprises of following:

S.NO.	NAME	DESIGNATION
1	Sh. Mihlesh Kumar Gupta, Non-executive and Independent Director	Chairman
2	Sh. Anurag Gupta, Managing Director	Member
3	Sh. Sudesh Kumar Garg, Non-executive and Independent Director	Member

The other relevant details of Audit Committee are given under Corporate Governance Report annexed with Director's Report.

**VIGIL MECHANISM/WHISTLE BLOWER POLICY**

The Company has a vigil mechanism named "Whistle Blower Policy/Vigil Mechanism" to deal with instance of fraud and mismanagement, if any. The detail of the Policy is explained in the Corporate Governance Report and also available at company's website [www.hisar spinningmills.com](http://www.hisar spinningmills.com).

**PERFORMANCE EVALUATION OF BOARD OF DIRECTORS**

During the year under review, the Board adopted a formal mechanism for evaluating its performance and as well as that of its committees, individual Directors, including the Chairman of the Board in compliance with the Companies Act 2013 and Listing Regulations. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board, its committee & members, their experience & competencies, performance of specific duties & obligations, governance and also in accordance with Performance Evaluation Policy of Company. Broadly the performance of Non-Independent/Executive/Whole Time Director(s) was evaluated on the basis of their own performance, expertise, intelligence, their qualitative & quantitative contribution towards operational achievements, organizational performance etc. The performance of Non-Executive Independent Directors were evaluated on the basis of their constructive participations in Board/Committee/General meetings, their informed & balanced decision-making, ability to monitor financial controls & systems, & certain allied parameters. The performance evaluation of various Board Committees constituted under Companies Act & Listing Agreement was made on the basis of their respective terms of reference, discharge of functions, governance etc.

**Disclosure of information's as required under rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

The Provisions of Rule 5(2) & (3) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 requiring particulars of the employees in receipt of remuneration in excess of Rs. 102 Lakhs per year to be disclosed in the Report of Board of Directors are not applicable to the Company as none of the employees was in receipt of remuneration in excess of Rs. 102 Lakhs during the financial year 2017-18.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annexure forming part of the Annual Report. Having regard to the provisions of Section 136(1) read with its relevant proviso of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished free of cost.

The Nomination and Remuneration Committee of the Company has affirmed that the remuneration is as per the remuneration policy of the Company.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management discussion and analysis report, as required by Listing Regulations, forms part of the Annual Report.

**ACKNOWLEDGEMENT**

Your Directors wish to convey their appreciation to all of the Company's employees for their enormous efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank shareholders, customers, dealers, suppliers, Financial Institutions, bankers, Government and all the other business associates for the continuous support given by them to the Company and their confidence in its management.

By order of the Board of Directors

Place: Chandigarh  
Dated: September 05, 2018

Sd/-  
(Anurag Gupta)  
Managing Director  
DIN-00192888

Sd/-  
(Sapna Kansal)  
Executive Director  
DIN-06892410





## FORM NO. AOC.2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

## 1. Details of contracts or arrangements or transactions not at arm's length basis

(a) Name(s) of the related party and nature of relationship:	NIL
(b) Nature of contracts/arrangements/transactions:	NIL
(c) Duration of the contracts/arrangements/transactions:	NIL
(d) Salient terms of the contracts or arrangements or transactions including the value, if any:	NIL
(e) Justification for entering into such contracts or arrangements or transactions:	NIL
(f) Date(s) of approval by the Board:	NIL
(g) Amount paid as advances, if any:	NIL
(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188:	NIL

## 2. Details of material contracts or arrangement or transactions at arm's length basis

(a) Name(s) of the related party and nature of relationship: Mr. Naveen Kansal – Husband of Mrs. Sapna Kansal, Whole Time Director.

(b) Nature of contracts/arrangements/transactions: Employment

(c) Duration of the contracts/arrangements/transactions: Permanent employment

(d) Salient terms of the contracts or arrangements or transactions including the value, if any: General terms of employment as applicable on other employees.

(e) Date(s) of approval by the Board, if any: 29.12.2016

(f) Amount paid as advances, if any: Nil

By order of the Board of Directors

Place: Chandigarh  
Dated: September 05, 2018

Sd/-  
(Anurag Gupta)  
Managing Director  
DIN-00192888

Sd/-  
(Sapna Kansal)  
Executive Director  
DIN-05892410





### Corporate Governance Report

#### 1. Company's philosophy on code of Governance

Corporate Governance is a set of system, process and principles which ensure that a Company is governed in the best interest of all stakeholders. The objective of Good Corporate Governance is to ensure the Board's commitment towards transparent management to maximize long term value for the Company's shareholders of all stakeholders. We believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

#### 2. Board of Directors

The Board of Directors of your Company has an optimum combination of Executive and Non-Executive Directors so as to have a balanced structure. As on 31<sup>st</sup> March 2018, the Board of Directors consists of six Directors, out of which two are Promoter Directors (Managing Director and a non executive Director), one Non – Executive Woman Director and three are Independent Non-Executive Directors. None of the Directors on the board is a member on more than 10 committees and Chairman of more than 5 committees as specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("hereinafter referred to as Listing Regulations"), across all the companies in which they are Directors. The necessary disclosures regarding committee memberships have been made by all the Directors. The Non-Executive Independent Directors fulfill the conditions of independence specified in Section 149 of Companies Act 2013 and rules made there under and meet with requirements of Listing Regulations.

During the financial year 2017-18, five Board meetings were held. The meetings were held on 30<sup>th</sup> May, 2017, 1<sup>st</sup> September, 2017, 14<sup>th</sup> September, 2017, 14<sup>th</sup> December, 2017 and 14<sup>th</sup> February, 2018. As stipulated by Code of Independent Directors under Companies Act 2013 and under Listing Regulations, a separate meeting of independent directors was held on 14<sup>th</sup> February, 2018 to review the performance of Non-Independent directors including the Chairman and the Boards as a whole. The Independent Directors also reviewed the quality, content and timeliness of follow of information between Management and the Board. All Independent Directors were present in the said meeting.

The names and categories of Directors on the board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships/ Committee memberships/ Chairmanship held by them in other Companies are given below:

No. of Directorship and Committee Membership/Chairmanship as on 31.03.2018:-

Name of Director	Category	Attendance Particulars		No. of Directorship	No. of Membership/ Chairmanship in Committees**		
		Board Meeting	Last AGM		Members hip	Chairmanship	Total
Smt. Sapna Kansal	ED*	5	Yes	Nil	Nil	1	1
Sh. Anurag Gupta	ED / MD	5	Yes	Nil	1	Nil	1
Sh. Mithlesh Kumar Gupta	INED	5	Yes	Nil	Nil	1	1
Sh. Sudesh Kumar Garg	INED	5	Yes	Nil	1	Nil	1
Sh. Sandeep Suri	INED	5	No	Nil	NIL	NIL	NIL
Sh. Nikhil Goel	NED	5	Yes	1	NIL	1	1

INED : Independent Non Executive Director

NED : Non Executive Director

MD : Managing Director (Executive)

ED : Executive Director

\*Mrs. Sapna Kansal was appointed as Whole time Director w.e.f. December 14, 2017.

\*\*The committees considered for the above purpose are Audit Committee and Stakeholders Relationship Committee.



### **3. INFORMATION SUPPLIED TO THE BOARD**

The Board has complete access to all information about the Company. All the meetings are conducted as per well designed and structured agenda. All the agenda items are backed by necessary supporting information including minimum information as stipulated under Regulation 17(7) of Listing Regulations to the extent it is applicable & relevant and documents to enable the Board to take informed decisions. Agenda also includes minutes of the meetings of all the Board Committees for the information of Board. The Board reviews the declarations/reports made by the Management regarding compliance with applicable laws on quarterly basis as well as steps taken by the Company to rectify instances of non-compliances, if any. Post meetings, all important decisions taken at the meeting are communicated to the concerned officials and departments.

### **4. MAXIMUM DIRECTORSHIP & TENURE OF INDEPENDENT DIRECTORS**

The maximum tenure of Independent Directors is in compliance with the Companies Act 2013. The Company has issued formal letters of appointment to all the Independent Directors. At the time of appointment of an independent director, it was ensured that the number of Boards on which such independent director serves is restricted to seven listed companies as an independent director and three listed companies as an independent director in case such person is serving as a whole-time (executive) director of a listed company. The terms & conditions of appointment of independent directors are available on Company's website viz. [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

### **5. Code of Conduct**

The Company is committed to conduct its business in accordance with the pertinent laws, rules and regulations and with the highest standards of business ethics. The Company has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct is posted on Company's website viz. [www.hisarspinningmills.com](http://www.hisarspinningmills.com). All Board members and Senior Management Personnel have affirmed compliance with the Code. A declaration signed by Sh. Anurag Gupta, DIN 00192888, Managing Director of the Company to this effect is enclosed at the end of this report.

### **6. PREVENTION OF INSIDER TRADING CODE**

As per SEBI (Prohibition of Insider Trading) Regulation, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading. The Code is applicable to Promoters and Promoter's Group, all Directors, KMP's and such Designated Employees etc. who are expected to have access to unpublished price sensitive information relating to Company. The Code lays down guidelines advising them on procedures to be followed and disclosures to be made while dealing with the shares of Company and cautioning them about the consequences of violations. The Company Secretary is responsible for implementation of this code. During the year under review, there has been due compliance with the said code. The Company has also formulated a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015. The same is also posted on Company's website viz. [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

### **7. MD and CFO Certification**

As per Regulation 17 of Listing Regulations, Sh. Sharad Goel, Chief Financial Officer (CFO) & Sh. Anurag Gupta, DIN 00192888, Managing Director of the Company have issued certificate pursuant to the provisions of Listing Regulations certifying that the financial statements and the cash flow statement do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is attached herewith and forms part of the Annual Report.

### **8. COMMITTEES OF THE BOARD**

The Board of Directors have constituted various Board Committees in compliance of Companies Act as well as Listing Regulations/Listing Agreement to deal with specific areas and activities as stipulated under the Companies Act and Listing Obligations. The Board Committees meet at regular intervals, takes necessary steps to perform its duties/functions entrusted by the Board.

#### **(A) Audit Committee**

Audit Committee functions in accordance with the terms of reference as set out under Listing Regulations read with



provisions of Section 177 of the Companies Act, 2013 & rules made there under and additional responsibilities assigned to it by Board of Directors of the Company. The Committee reviews the internal audit reports and findings of internal auditors along with the comments of management. The functions of the Audit Committee among others, include approving and implementing the audit procedures, effective supervision of financial reporting system, Whistle Blower Mechanism, internal control and procedures, recommending appointment of Statutory Auditors, Cost Auditors to Board and also ensuring compliances with regulatory guidelines. The composition, names of members, chairperson, particulars of the meetings and attendance of the members during the financial year are as below:

During the financial year 2017-18, five Audit Committee meetings were held on May 30, 2017, September 1, 2017, September 14, 2017, December 14, 2017 and February 14, 2018.

S.NO.	NAME	DESIGNATION	NO. OF MEETINGS ATTENDED DURING THE YEAR 2017-2018
1.	Sh. Mithlesh Kumar Gupta, Non-executive and Independent Director	Chairman	5
2.	Sh. Sudesh Kumar Garg, Non-executive and Independent Director	Member	5
3.	Sh. Anurag Gupta, Managing Director	Member	5

The Statutory Auditors and Internal Auditors were invitees to the meetings. The Company Secretary acts as secretary to the Audit Committee.

#### **(B). Nomination and Remuneration Committee**

The Nomination and Remuneration Committee functions in accordance with the terms of reference as set out under Listing Regulations read with provisions of Section 178 of Companies Act, 2013 & rules made there under. The functions of Nomination and Remuneration Committee include formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to remuneration of directors, key managerial personnel and other employees, formulation of criteria for evaluation of performance of independent directors and the board of directors, devising a policy on diversity of board of directors, identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with criteria laid down and recommend to the board of directors their appointment and removal etc. During the financial year 2017-2018, two meetings of Nomination and Remuneration Committee were held on September 1, 2017 and December 14, 2017.

S.NO.	NAME	DESIGNATION	NO. OF MEETINGS ATTENDED DURING THE YEAR 2017-2018
1	Mr. Sudesh Kumar Garg, Non Executive Independent Director	Chairman	2
2	Mr. Nikhil Goel, Non Executive Non Independent Director	Member	2
3	Mr. Mithlesh Kumar Gupta, Non Executive Independent Director	Member	2

#### **Remuneration Policy**

The objective of this Policy is directed towards having a compensation philosophy and structure that will reward and retain talent. The Company has adopted and implemented the provisions of Section 178 of the Companies Act, 2013 on the requirement of the Committee to recommend to the Board a policy, relating to the remuneration for the directors, KMPs and other employees.

##### **i) Remuneration of Non-Executive Directors**

No remuneration was paid to the Non-Executive Directors during the year 2017-18.



## ii) Remuneration of Executive Directors

The details of remuneration paid to the Executive Directors during the year 2017-18 are given below:  
(Rs. in Lakhs)

Name of Directors	Salary	Perquisites*	Commission	Total
Mr. Anurag Gupta, Managing Director	10.79	-	-	10.79
Mrs. Sapna Kansal	4.48	-	-	4.48

There is no Employee Stock Option Scheme (ESOP) in the Company as on 31<sup>st</sup> March 2018. Further, there are no pecuniary relationships or transactions of Non-Executive Director vis-a-vis the Company which has potential conflict with the interest of the Company at large.

## (C). Stakeholders Relationship Committee

The Stakeholders Relationship Committee functions in accordance with the terms of reference as set out under provisions of Listing Regulations read with provisions of Section 178 of the Companies Act, 2013 & rules made there under i.e. redressing of Shareholders/Investors complaints, regarding to share transfers, non-receipt of balance sheet/dividend by the shareholders etc. During the financial year 2017-18, four Stakeholders Relationship Committee meetings were held on May 30, 2017, September 14, 2017, December 14, 2017 and February 14, 2018. The composition, names of the members, chairperson, particulars of the meetings and attendance of the members during the year are as below:

S.NO	NAME OF MEMBERS	DESIGNATION	NO. OF MEETINGS ATTENDED DURING THE YEAR 2017-2018
1.	Mrs. Sapna Kansal, Non Executive Director	Member	5
2.	Sh. Anurag Gupta, Executive Director	Member	5
3.	Sh. Nikhil Goel, Non-executive Director	Chairman	5

During the financial year, the request for transfer/ demat/ remat of shares, change of address etc have been duly effected. During the year, no complaint from any shareholder was received. Hence no grievance was pending at the end of the financial year. Ms. Manmeet Kaur was the Compliance Officer of the Company for SEBI/ Stock Exchange/ROC related issues etc.

## (D). Risk Management Committee:

The Listing Regulations in this respect are not applicable to the company.

## 9. General Body Meetings

The last three Annual General Meetings of the Company were held as under:-

YEAR	VENUE	DATE	TIME	DETAILS OF SPECIAL RESOLUTION
2014-15	9 <sup>th</sup> KM Stone, Hisar Bhiwani road, V.P.O Dabra (Hisar)	29/09/2015	11.00 A.M.	NIL
2015-16	9 <sup>th</sup> KM Stone, Hisar Bhiwani road, V.P.O Dabra (Hisar)	30/09/2016	12.00 Hrs.	NIL
2016-17	9 <sup>th</sup> KM Stone, Hisar Bhiwani road, V.P.O Dabra (Hisar)	28/09/2017	10.00 A.M.	NIL

No Postal ballots were used for voting in these meetings. At the forthcoming AGM, there is no item on the agenda that needs approval by Postal ballots.



## HISAR SPINNING MILLS LIMITED

### 10. Subsidiary Company

During the year ended 31<sup>st</sup> March, 2018, neither the Company has any subsidiary nor any material listed/unlisted subsidiary company.

### 11. RISK MANAGEMENT POLICY

The Company's Risk Management Policy is available at company's website [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

### 12. Disclosures

#### a) Related Party Transactions

All related party transactions of the Company are dealt with in accordance with Related Party Transactions Policy of Company and as per provisions of section 188 of Companies Act 2013 & rules made there under and as per Listing Regulations. All Related Party Transactions are presented to the Audit Committee and the Board for approval by specifying the nature, value, terms and conditions of the transactions etc. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions for which omnibus approval has obtained are presented before the Audit Committee as well as to Board on quarterly basis. Although all related party transactions are entered in ordinary course of business and at arm's length basis. There are no materially significant related party transactions made by the Company with its promoters, Directors or Key Managerial Personnel, their relatives etc. that may have potential conflict with the interest of the Company at large.

Suitable disclosures as required by the Accounting Standards (AS 18) are disclosed in Notes to Accounts in the Annual Report. The Related Party Transactions Policy of Company available on the Company's website: [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

#### b) Disclosure of Accounting Treatment in preparation of Financial Statements

The Company has followed all relevant Accounting Standards referred to in Section 133 of Companies Act 2013 & rules made there under and laid down by Institute of Chartered Accountants of India, while preparing Financial Statements.

#### c) Details of non-compliance by the listed entity, penalties, strictures imposed by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years

During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any Statutory Authority for non-compliance of any matter related to the capital markets.

#### d) Whistle Blower Policy/Vigil Mechanism

The Company has adopted Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about unethical behavior. This policy is reviewed quarterly by the Audit Committee to check the effectiveness of the policy & related matters. No personnel have been denied access to the Audit Committee. The relevant details of Whistle Blower Policy are given under the Director's Report and same is available on the Company's website: [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

#### 2e) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements

The Company has complied with all applicable mandatory requirements. The Company has not adopted non-mandatory requirements.

#### f) Subsidiary Company

During the year ended 31<sup>st</sup> March, 2018, neither the Company has any subsidiary nor any material listed/unlisted subsidiary company.

#### g) Independent Director's Declarations

All Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under the Companies Act, 2013 and Listing Regulations.



#### h) Disclosures by Senior Management & Key Managerial Personnel

Senior Management and Key Managerial Personnel have made disclosure to the Board relating to all material, financial and other transactions stating that they did not have any personal interest that could result in a conflict with the interest of the Company at large. The material, financial and commercial transactions where Key Managerial Personnel have personal interest forms part of the disclosure on related parties referred to in Notes to Annual Accounts.

#### **13. Performance evaluation of Board of Directors**

During the year, the Board adopted a formal mechanism for evaluating its performance and effectiveness as well as that of its Committees and individual Directors, including the Chairman of the Board. For Board and its Committees, the exercise was carried out through a structured evaluation process covering various aspects of the Board's functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, governance issues etc. The Performance evaluation of Non-Independent directors including the Chairman was carried out by Independent Directors in their separate meeting. The Directors were satisfied with the evaluation results, which reflected the overall engagement and effectiveness of the Board and its Committees. The necessary details regarding criteria of performance evaluation is mentioned under Director's Report. The Performance Evaluation Policy of Board of Directors is available on Company's website viz. [www.hisarspinningmills.com](http://www.hisarspinningmills.com).

Since the Directors were satisfied with the evaluation results, there were no observations in the board evaluation carried out for the year, hence no action was proposed. The previous year's observations in the board evaluation were nil and hence no action was warranted.

#### **14. Familiarisation Programme / Induction for Independent Directors**

At the Board Meetings, apart from the regular agenda items, it is ensured that the Board members are provided a deep and thorough insight into the business model of the Company and updates either by way of presentation of business units or otherwise. The Board members get an open forum for discussion and share their experience. At the time of appointing an Independent Director, a formal letter of appointment is given to him/her, which inter alia explains the role, function, duties, responsibilities expected of him/her as a Director of the Company and expected time commitments. As required under Listing Regulations, Company has conducted a familiarization programme for its independent directors under which the necessary information was provided to familiarize them with the nature, activities, products of the Company and also about their roles, rights, responsibilities in the Company.

#### **15. Board Diversity Policy**

The Nomination and Remuneration Committee have formulated Board Diversity Policy in accordance with the Listing Regulations. Under the said policy, it is recognized that a Board composed of appropriately qualified people with broad range of experience relevant to the business of the Company is important to achieve effective corporate governance and sustained commercial success of the Company. In order to ensure that the Company's boardroom has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy, the Company shall while selecting the Board Members consider a number of factors, including but not limited to age, culture, functional skills, industry/professional experience, financial literacy and integrity etc. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

#### **16. Means of Communications**

The quarterly, half yearly & annual financial results, notices etc. are published in widely circulating national & local dailies newspaper The Statesman / The Pioneer in English editions and Vyapar Bhardi in Hindi Edition. The same are also being posted on the website of BSE [www.bseindia.com](http://www.bseindia.com) under Scrip Code 521068 and also on the website of the company. The Management Discussion and Analysis report forms a part of this Annual Report.

#### **18. General Shareholder informations**

Annual General Meeting at 10:00 HRS. on 29<sup>th</sup> day of September 2018 at Registered Office of the Company at 9<sup>th</sup> KM Stone, Hisar Bhiwani road, V.P.O Dabra (Hisar).

Financial Calendar : 1<sup>st</sup> April, 2017 to 31<sup>st</sup> March, 2018





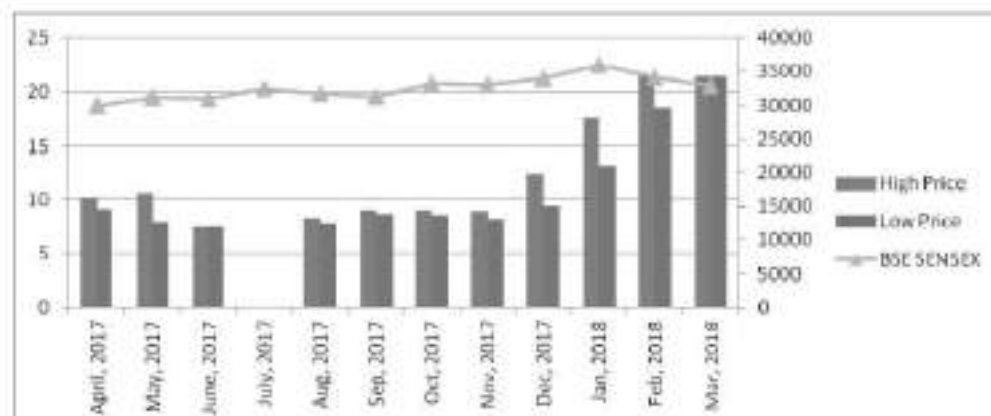
## HISAR SPINNING MILLS LIMITED

Date of Book Closure	: 25.09.2018 to 29.09.2018 (both days inclusive)
Dividend Payment Date	: N.A.
Listing on Stock Exchange	: Bombay Stock Exchange Limited (BSE)
Scrip Code	: 521068
Corporate Identity Number (CIN)	: L17112HR1992PLC031621
CDSL ISIN No.	: INE669E01014

Annual listing fee for the year 2017-2018 has duly been paid to Bombay Stock Exchange (BSE).

Market price data – High and Low during each month on BSE in the financial year 2017-18. Stock code - 521068  
(Source: [www.bseindia.com](http://www.bseindia.com))

Months	High	Low	Closed	Shares
April, 2017	10.15	9.06	10.15	2300
May, 2017	10.65	7.85	7.85	1300
June, 2017	7.46	7.46	7.46	200
August, 2017	8.22	7.83	8.22	200
September, 2017	9	8.63	9	1500
October, 2017	9	8.55	8.55	1800
November, 2017	8.96	8.14	8.96	1200
December, 2017	12.43	9.4	12.43	2400
January, 2018	17.65	13.05	17.65	19500
February, 2018	21.4	18.5	21.4	18500
March, 2018	21.4	21.4	21.4	1800



Registrar and Share Transfer Agent : M/s Indus Portfolio Private limited  
G-65, Ball Nagar, New Delhi-110015

Share Transfer System : Shares lodged in physical form with the RTA directly or through Company, are processed and returned, duly transferred, within fifteen days normally, except in cases which are under objection.

In respect of shares held in dematerialised mode, the





transfer takes place instantaneously between the transferor, transferee and the Depository Participant through electronic debit/credit of the accounts involved.

Compliance Officer : Mr. Verinder kamal Sood, Company Secretary  
E-mail ID's : [hsm2000@rediffmail.com](mailto:hsm2000@rediffmail.com)

Distribution of shareholding as on 31<sup>st</sup> March, 2018.

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
0-500	10028	97.50	1457630	39.03
501-1000	143	1.39	114900	3.08
1001-5000	72	0.70	145700	3.90
5001-10000	9	0.09	67700	1.81
10001-20000	8	0.08	125300	3.35
20001-30000	7	0.07	172280	4.61
30001-40000	0	0.00	0	0
40001-50000	3	0.03	134500	3.60
50001-100000	7	0.07	460200	12.32
Above 100000	7	0.07	1056690	28.30
	<b>10282</b>	<b>100</b>	<b>3735000</b>	<b>100</b>

Shareholding Pattern as on 31<sup>st</sup> March, 2018.

Category	No. of shares	Percentage
Promoters/Promoter Group	18,82,170	50.39
FI's/FII's/ Banks/ Mutual Funds	-	-
Indian Public	1803430	48.29
Others	49400	1.32
Shares held by Custodian & against which Depository Receipts have been issued	-	-
<b>Total</b>	<b>3735000</b>	<b>100</b>

Details of shareholding of Directors in the Company as on 31.03.2018.

Name of Director	No. of shares held
NIKHIL GOEL	160400
ANURAG GUPTA	184250
SAPNA KANSAL	63100



## **HISAR SPINNING MILLS LIMITED**

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Dematerialisation of shares	:	2192070 (58.89%) shares
Plant(s) Location	:	9 <sup>th</sup> K.M. stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) 125005
Address for correspondence	:	Hisar Spinning Mills limited 9 <sup>th</sup> K.M. stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) 125005 Ph. 01662-260387 Fax: 91-1662-260397
E-mail ID's	:	hsmi2000@rediffmail.com

**By order of the Board of Directors**

Place: Chandigarh  
Dated: September 05, 2018

**Sd/-**  
**(Anurag Gupta)**  
**Managing Director**  
**DIN-00192888**

**Sd/-**  
**(Sapna Kansal)**  
**Executive Director**  
**DIN-06892410**



**DECLARATION ON CODE OF CONDUCT**

As provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, it is hereby declared that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Company for the year ended 31<sup>st</sup> March 2018.

Place: Chandigarh  
Dated: September 05, 2018

Sd/-  
(Anurag Gupta)  
Managing Director  
DIN-00192888

**MD AND CFO CERTIFICATION**

To  
The Board of Directors  
Hisar Spinning Mills Limited

- (a) We have reviewed the financial statements and the cash flow statement of Hisar Spinning Mills Limited for the year ended 31<sup>st</sup> March, 2018 and to the best of our knowledge and belief, we state that;
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) these statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.
- (d) We have indicated to the Auditors and the Audit Committee:
- (i) that there are no significant changes in internal control over financial reporting during the year;
- (ii) that the company has adopted new IND-AS for the preparation of financial results for the year; and
- (iii) that there are no instances of significant fraud of which we have become aware.

Yours sincerely,

Sd/-  
(Anurag Gupta)  
Managing Director

Sd/-  
(Sharad Goel)  
Chief Financial Officer

Place: Chandigarh  
Date: September 05, 2018



**CERTIFICATE OF PRACTICING COMPANY SECRETARY ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER REGULATION E OF SCHEDULE V OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS 2015.**

**To the Members of Hisar Spinning Mills Limited**

I have examined the compliance of the conditions of Corporate Governance by Hisar Spinning Mills Limited, Hisar (Haryana) for the year ended March 31, 2018 as stipulated in Regulation E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Governance. It is neither an audit nor an expression of an opinion on the financial statements of the company.

In my opinion and to the best of my information and according to the explanations given to me, and the information given by the management, I certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned regulations.

I state that in respect of investor grievance received during the year ended March, 31, 2018, no investor grievances were pending against the Company, as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

I further state that compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company

Place: Chandigarh  
Date: 05.09.2018

Sd/-  
SANJIV KUMAR GOEL  
Practicing Company Secretary  
FCS No. 2107  
C P No. 1248

**ANNEXURE '1' TO THE DIRECTORS' REPORT****FORM NO. MR-3  
SECRETARIAL AUDIT REPORT**

Pursuant to section 204 (1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014

**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2018**

To,

The Members,  
Hisar Spinning Mills Limited  
9th KM Stone, Hisar Bhiwani Road,  
V.P.O Dabrs ( Hisar), Haryana -125005

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Hisar Spinning Mills Limited** (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliance and expressing my opinion thereon.

Based on my verification of the Hisar Spinning Mills Limited's books, papers, minutes books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board- processes and compliance - mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by Hisar Spinning Mills Limited for the financial year ended on March 31, 2018 according to the provisions of

- i) The companies Act, 2013 (the Act) and the rules made there under;
- ii) The Securities Contracts (Regulations) Act, 1956 (SCRA) and the rules made there under;
- iii) The Depositories Act, 1996 and the Regulations and Bye Laws framed there under;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act):-
  - (a)The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011;
  - (b)The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c)The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009 (Not applicable to the Company during the Audit Period);
  - (d)The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (Not applicable to the Company during the Audit Period);
  - (e)The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
  - (f)The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g)The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period);
  - (h)The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period);

2. I have relied on the representation made by the company and its officers for systems and mechanism put in place by the company for compliances under the applicable Act, Laws and Regulations to the Company.

3. I have also examined compliance with applicable clauses of the followings:



## **HISAR SPINNING MILLS LIMITED**

- i) Secretarial Standards issued by The Institute of Company Secretaries of India, effective from July 01, 2015.
- ii) The erstwhile Listing Agreement entered into by the company with Bombay Stock Exchange Limited and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 notified w.e.f. December 01, 2015.

During the year under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

### **I further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non – Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meeting, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, suits, rules, regulations and guidelines.

Place: Chandigarh  
Date: 06/06/2018

sd/-  
Sanjiv Kumar Goel  
FCS No.2107  
C P No. 1248



## Annexure '2' to Directors' Report

Information as per section 217(1)(e) read with companies (Disclosure of Particulars in the Report of Directors) Rules 1988 and forming part of the Director's Report for the period ended 31st March, 2018.

## I. CONSERVATION OF ENERGY

## a) Energy conservation measures taken:

The Company has been giving high priority to conservation of energy by close monitoring of energy consuming equipments. All efforts are made for installing energy saving devices wherever required.

## b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

New equipments, whenever required, are purchased from time to time.

## c) Impact of the measures at (a) &amp; (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken to conserve energy resulted in more production. However, there was no savings in consumption due to increased production and increase in rates of power.

## d) Total energy consumption and energy consumption per unit of production as per Form-A of the annexure to the rules in respect of industries specified in the schedule thereto:

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A) Power and Fuel consumption</b>		
a) Purchased Unit (KW)	5173255	4855370
Total Amount (Rs. in Lakhs)	399.30	414.99
Rate/Unit (Rs)	7.72	8.37
b) Through Diesel Generator		
Units(KW)	409506	245830
Total Amount (Rs. in Lakhs)	75.57	41.74
Rate/Unit (Rs/KW)	18.45	16.98
<b>B) Consumption Per Unit Of Production</b>	<b>1763 Units</b>	<b>1600 Units</b>
Steam Coal	Nil	Nil
Furnace Oil	Nil	Nil
Others/Internal Generators	Nil	Nil
Cotton Yarn Production in MT	3186.361	3251.095
Total Units Consumed	5582761	5201200

## II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form-B of the Annexure to the Rules.

## 1) Research &amp; Development (R &amp; D)

a) Specific area in which R & D carried by the Company: Nil

b) Benefits derived as a result of the above R & D: Nil

c) Future plan of Action: Nil





## d) Expenditure on R &amp; D (Rs. in Lakhs)

Capital	NIL
Revenue	NIL
Total	<u>NIL</u>

Total R & D expenditure as a percentage of Total Turnover = NIL

## 2) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts, in brief, made towards technology absorption, adaptation and innovation: Nil

b) Benefits derived as a result of the above efforts e. g. product improvement, cost reduction, product development, import substitution etc: Nil

c) In case of imported technology (imported during the last 5 year reckoned from the beginning of the financial year) – Nil

## 3) FOREIGN EXCHANGE EARNINGS AND OUTGO

III. Activities relating to export, initiatives taken to increase export, development of new export markets for products and services and export plans: Nil

Value of imports calculated on C.I.F. basis:

(Rs. in Lakhs)	
Particulars	For the Year ended 31.03.2018
Stores & Spares parts	14.70
Capital Goods	NIL
Total	14.70

Expenditure in foreign currency during the financial year on account:

(Rs. in Lakhs)	
Particulars	For the Year ended 31.03.2018
Commission on sales	NIL
Total	NIL

Earnings in foreign exchange:

Export of goods calculated on FOB basis:

(Rs. in Lakhs)	
Particulars	For the Year ended 31.03.2018
Manufactured Goods	49.43
Total	49.43

By order of the Board of Directors

Place: Chandigarh  
Dated: September 05, 2018

Sd/-  
(Anurag Gupta)  
Managing Director  
DIN-00192888

Sd/-  
(Sapna Kansal)  
Executive Director  
DIN-06892410



## Annexure '3' to Directors' Report

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
 As on the financial year ended on 31.03.2018  
 Of  
**HISAR SPINNING MILLS LIMITED**

(Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the  
 Companies (Management and Administration) Rules, 2014)

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN	: L17112HR1992PLC031821
ii)	Registration Date	: 10.04.1992
iii)	Name of the Company	: Hisar Spinning Mills Limited
iv)	Category / Sub-Category of the Company	: Public Company limited by shares
v)	Address of the Registered office and contact details	: 9 <sup>th</sup> KM Stone, Hisar Bhiwari Road, Village & Post Office Dabra, Hisar
vi)	Whether listed company	: Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	: Indus Portfolio Private Limited, G-65, Bali Nagar, New Delhi-110015

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Spinning	1311/13111	100



## II. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES: - Nil

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

## i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	% Change during the year
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	1870870	--	1870870	50.08	1882170	--	1882170	50.39	0.31
b) Central Govt.	--	--	--	--	--	--	--	--	--
c) State Govt. (s)	--	--	--	--	--	--	--	--	--
d) Bodies Corp.	--	--	--	--	--	--	--	--	--
e) Banks / FI	--	--	--	--	--	--	--	--	--
f) Any Other....	--	--	--	--	--	--	--	--	--
<b>Sub-total (A) (1):-</b>	<b>1870870</b>	<b>--</b>	<b>1870870</b>	<b>50.08</b>	<b>1882170</b>	<b>--</b>	<b>1882170</b>	<b>50.39</b>	<b>0.31</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	--	--	--	--	--	--	--	--	--
b) Other - Individuals	--	--	--	--	--	--	--	--	--
c) Bodies Corp.	--	--	--	--	--	--	--	--	--
d) Banks / FI	--	--	--	--	--	--	--	--	--
e) Any Other....	--	--	--	--	--	--	--	--	--
<b>Sub-total (A) (2):-</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>1870870</b>	<b>--</b>	<b>1870870</b>	<b>50.08</b>	<b>1882170</b>	<b>--</b>	<b>1882170</b>	<b>50.39</b>	<b>0.31</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	--	--	--	--	--	--	--	--	--
b) Banks / FI	--	--	--	--	--	--	--	--	--
c) Central Govt.	--	--	--	--	--	--	--	--	--
d) State Govt(s)	--	--	--	--	--	--	--	--	--
e) Venture Capital Funds	--	--	--	--	--	--	--	--	--
f) Insurance Companies	--	--	--	--	--	--	--	--	--



## HISAR SPINNING MILLS LIMITED

g) FII's									
h) Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
i) Others (specify)	--	--	--	--	--	--	--	--	--
<b>Sub-total (B)(1):-</b>	--	--	--	--	--	--	--	--	--
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	--	--	--	--	57700	25500	83200	2.23	--
ii) Overseas	--	--	--	--	--	--	--	--	--
b) Individuals	--	--	--	--	--	--	--	--	--
i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh	238500	1517830	1754330	49.97	203700	1534430	1738130	48.54	
ii) Individual shareholders holding nominal share capital in excess of Rs 1 Lakh	49100	--	49100	1.31	49100	--	49100	1.31	--
c) Others (specify)	24300	25100	49400	1.32	200	-	200	0.00	
<b>Sub-total (B)(2):-</b>	<b>309900</b>	<b>1542930</b>	<b>1852830</b>	<b>49.61</b>	<b>310700</b>	<b>1559930</b>	<b>1870630</b>	<b>50.08</b>	<b>--</b>
Total Public Shareholding (B)=(B)(1)+(B)(2)	309900	1542930	1852830	49.61	310700	1559930	1870630	50.08	--
C. Shares held by Custodian for GDRs & ADRs	--	--	--	--	--	--	--	--	--
<b>Grand Total (A+B+C)</b>	<b>2192670</b>	<b>1542930</b>	<b>3735000</b>	<b>100</b>	<b>2175070</b>	<b>1559930</b>	<b>3735000</b>	<b>100</b>	<b>--</b>

### (ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	



# **HISAR SPINNING MILLS LIMITED**

1.	Megha Goel	7200	0.19	-	7200	0.19	-	-
2.	Anju Gupta	7700	0.21	-	7700	0.21	-	-
3.	Shilpa Garg	8700	0.23	-	8700	0.23	-	-
4.	Ritesh Goel	9300	0.25	-	9300	0.25	-	-
5.	Bindu Goel	10000	0.27	-	10000	0.27	-	-
6.	Shruti Goel	11000	0.29	-	11000	0.29	-	-
7.	Manju Goel	15100	0.40	-	15100	0.40	-	-
8.	Naveen Kansal	21800	0.58	-	21800	0.58	-	-
9.	Tarun Goel	19100	0.52	-	19100	0.52	-	-
10.	Anuj Gupta	181683	4.86	-	181683	4.86	-	-
11.	Anurag Gupta	184250	4.93	-	184250	4.93	-	-
12.	Arun Goel	25000	0.67	-	25000	0.67	-	-
13.	Gopal Anurag (HUF)	25000	0.67	-	25000	0.67	-	-
14.	Gopal Anuj (HUF)	25000	0.67	-	25000	0.67	-	-
15.	G S Goel	27940	0.75	-	27940	0.75	-	-
16.	Sharat G Goel	27540	0.74	-	28040	0.75	-	-0.01
17.	Harit Kishan Goel	40400	1.08	-	40400	1.08	-	-
18.	Davinder Kumar Goel	45000	1.20	-	45000	1.20	-	-
19.	Ashwani Kumar	52950	1.42	-	52950	1.42	-	-
20.	Shashi Bhushan Gupta	54850	1.46	-	54850	1.46	-	-
21.	Sunita Goel	56900	1.52	-	56900	1.52	-	-
22.	Sharda Kansal	60000	1.61	-	60000	1.61	-	-
23.	Sapna Kansal	63100	1.69	-	63100	1.69	-	-
24.	Usha Rani Gupta	75000	2.01	-	75000	2.01	-	-
25.	Gulab Singh Goel	97800	2.61	-	97800	2.61	-	-
26.	Gopal Krishan Gupta	115000	3.08	-	115000	3.08	-	-
27.	Sharad Goel	145000	3.88	-	133000	3.55	-	0.32
28.	Ankit Goel	146190	3.91	-	146190	3.91	-	-
29.	Nikhil Goel	160400	4.29	-	160400	4.29	-	-
30.	Mohan Lal Kansal	163867	4.39	-	163867	4.39	-	-
	<b>Total</b>	<b>1882170</b>	<b>50.39</b>	-	<b>1864370</b>	<b>49.92</b>	-	<b>0.31</b>



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### (iii) Change in Promoters' Shareholding ( please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Sherat G. Goel At the beginning of the year	28040	0.75	28040	0.75
	Decrease during the year	500	0.01	27540	0.74
	At the End of the year			27540	0.74
2.	Sherad Goel At the beginning of the year	133000	3.56	133000	3.56
	Increase during the year	12000	0.32	145000	3.88
	At the End of the year			145000	3.88

### (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year		
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	
	Top 10 Shareholders					
1	Shashi Rani & Shyam Sunder Gupta	49100	1.31	49100	1.31	-
2	Sushila Goel	20000	0.54	20000	0.54	-
3	Amulya Leasing & Finance Ltd.	16700	0.45	16700	0.45	-
4	Pratik Rajendra Gandhi.	9000	0.24	13400	0.35	0.11
5	Satya Prakash Mittal (HUF)	0	0	10500	0.28	0.28
6	Raman Mehra	7300	0.20	7300	0.20	-
7	Bajrang Lal Goel	6200	0.17	6200	0.17	-
8	Shelly Goel S Goel	0	0	6000	0.16	0.16
9	Ram Phal	5300	0.14	5300	0.14	-
10	Suman Gajanand Toshniwal	0	0	4600	0.12	0.12



## (v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	Name of the Director/ KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	ANURAG GUPTA	184250	4.93	184250	4.93
2.	SAPNA KANSAL	63100	1.69	63100	1.69
3.	SHARAD GOEL	133000	3.56	145000	3.88
4.	NAVEEN KANSAL	21600	0.42	21600	0.58

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Rs. in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	526.21	25.24	-	551.45
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2.98	-	-	2.98
<b>Total (i+ii+iii)</b>	<b>529.19</b>	<b>25.24</b>	<b>-</b>	<b>554.43</b>
<b>Change in Indebtedness during the financial year</b>				
(a) Addition	-	3.80	-	3.80
(b) Reduction	-197.15	-	-	197.15
<b>Net Change</b>	<b>-197.15</b>	<b>3.80</b>	<b>-</b>	<b>-193.35</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	330.16	29.04	-	359.20
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	1.88	-	-	1.88
<b>Total (i+ii+iii)</b>	<b>332.04</b>	<b>29.04</b>	<b>-</b>	<b>361.08</b>





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### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:-

(Rs. in lakhs)				
Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Mr. Anurag Gupta (Managing Director)	Sapna Kansal (Whole Time Director)	--
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	10.79	4.48	15.27
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--
2.	Stock Option	--	--	--
3.	Sweat Equity	--	--	--
4.	Commission	--	--	--
	- as % of profit	--	--	--
	- others, specify...	--	--	--
5.	Others, please specify (Provident fund)	--	--	--
	Total (A)	10.79	4.48	15.27
	Ceiling as per the Act	As per Schedule V of the Companies Act, 2013		

#### B. Remuneration to other directors:

B. Remuneration to other directors:				(Rs. in Lakhs)	
Sl. no.	Particulars of Remuneration	Name of Directors			Total Amount
	1. Independent Directors	Mithlesh Kumar Gupta	Sudesh Kumar Gang	Sandeep Suri	–
	Fee for attending board / committee meetings	0.70	0.70	0.53	1.93
	Commission	--	--	--	--
	Others, please specify	--	--	--	--
	Total (1)	0.70	0.70	0.53	1.93
	2. Other Non-Executive Directors	--	--	--	--
	Fee for attending board / committee meetings	--	--	--	--
	Commission	--	--	--	--



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Others, please specify	--	--	--	--
Total (2)	--	--	--	--
Total (B)=(1+2)	0.70	0.70	0.53	1.93
Total Managerial Remuneration	--	--	--	--
Overall Ceiling as per the Act	Within the limits prescribed under the Act.			

### C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTB

(Rs. in Lakhs)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		Tanu Sharma, Company Secretary	Manmeet Kaur Sihota, Company Secretary *	Sharad Goel, Chief Financial Officer	Naveen Kansal, Chief Executive Officer
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.33	0.76	11.03	15.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--	--
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--	--
2.	Stock Option	--	--	--	--
3.	Sweat Equity	--	--	--	--
4.	Commission - as % of profit - others, specify...	--	--	--	--
5.	Others, please specify (Provident fund)	--	--	--	--
	<b>Total</b>	0.33	0.76	11.03	15.00

\*Company Secretary Tanu Sharma resigned w.e.f. 10.07.2017 and Ms. Manmeet Kaur Sihota appointed w.e.f. 01.09.2017.

### VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: - NIL

**Annexure '4' to Directors' Report****NOMINATION, REMUNERATION AND EVALUATION POLICY****1. INTRODUCTION**

The Company conducts its operations under the directions of the Board of Directors within the framework laid down by the Companies Act, 2013, the Articles of Association of the Company, Listing Agreement with stock exchanges, internal code of conduct and policies formulated by the Company for its Board of Directors and Senior Management. The Company's Board of Directors is dedicated to act in good faith, exercise their judgment on an informed basis and in the best interest of the Company and its stakeholders. This policy is in compliance with the Section 178 of the Companies Act, 2013 read with rules framed thereto and Clauses of the Listing Regulations.

The primary objective of the Policy is to provide a framework and set standards for their nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the Senior Management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

The Nomination, Remuneration and Evaluation Policy ("the Policy") applies to the Board of Directors ("the Board"), Key Managerial Personnel (the "KMP") and the Senior Management Personnel of Hisar Spinning Mills Limited (the "Company").

"Key Managerial Personnel" (KMP) means-

- (i) Chairman & Managing Director
- (ii) Company Secretary
- (iii) Whole-time Director
- (iv) Chief Financial Officer; and
- (v) Such other Officer as may be prescribed by the Board or the Central Government.

The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

**2. CONSTITUTION OF NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee shall be constituted by the Board of Directors in its Meeting. The members of the Committee present at the meeting shall choose one amongst them to act as Chairman or appoint Chairman of the Committee. The Chairman of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. Minimum two members shall constitute a quorum for the Committee Meeting. The terms of the Committee shall be decided by the Board of Directors in its meeting. The Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholder's queries.

**COMMITTEE MEMBER'S INTERESTS**

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

**VOTING**

- a) Matters arising for determination at the Committee Meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.



### **3. TERMS OF REFERENCE OF THE NOMINATION AND REMUNERATION COMMITTEE**

- I. Identification of persons qualified to be the directors and in senior management in accordance with the criteria laid down.
- II. Recommend to the Board appointed and removal of the directors apart from the nominee directors as proposed by the Government of Punjab and in the Senior Management.
- III. Evaluation of every director's performance.
- IV. Formulation of criteria for determining qualifications, positive attributes and independence of a director.
- V. Recommendation of Remuneration policy for the directors, KMP and other employees.
- VI. Other Terms of Reference/ scope of Nomination and Remuneration Committee shall be as notified by the appropriate authority from time to time or as directed by the Board of Directors of the Company from time to time.

### **4. RESPONSIBILITIES OF THE COMMITTEE**

- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
- Identifying individuals suitably qualified to be appointed as the KMPs or in the Senior Management of the Company;
- Recommending to the Board on the selection of individuals nominated for directorship;
- Making recommendations to the Board on the remuneration payable to the Directors/ KMPs/ Senior Officials so appointed/ reappointed;
- Assessing the independence of independent directors;
- Such other key issues/matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provisions of the Companies Act, 2013 and rules framed there under;
- To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- To devise a policy on Board diversity;
- To develop a succession plan for the Board and to regularly review the plan.

### **5. RESPONSIBILITIES OF THE BOARD**

It shall be the duty of the Chairman of the Board, who shall be supported by the Company Secretary to organize the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the directors' and committees' effectiveness, to maximize their strength and to tackle their shortcomings.

The Board of Directors shall undertake the following activities on an annual basis:

1. The Chairman of the Company shall meet with each and every director individually to discuss his/ her performance throughout the year.
  2. Review performance evaluation reports submitted by the Chairperson of various committees along with their suggestions on improving the effectiveness of the committee. Also, the requirement of establishing any new committees shall be reviewed by the Board on an annual basis.
  3. Review the various strategies of the Company and accordingly set the performance objectives for directors, in consistency with varying nature and requirements of Company's business.
  4. The Board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.
- In conformity with the requirements of the Act, the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

### **6. RESPONSIBILITIES OF INDEPENDENT DIRECTORS**

In pursuance of the Companies Act, 2013 and rules framed and notified there under read with the amendments in the Listing Agreement as notified on 17<sup>th</sup> April, 2014, the ambit of roles and responsibilities of Independent Directors has widened. The following roles, responsibilities and duties have been duly incorporated so far:

#### **1. Limit on number of directorships**



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- a. A person shall not serve as an independent director in more than seven listed companies.
- b. Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than three listed companies.

2. Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence.

3. **Qualifications of independent director.** - An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

4. **Guidelines of professional conduct:**

An independent director shall:

- (a) uphold ethical standards of integrity and probity;
- (b) act objectively and constructively while exercising his duties;
- (c) exercise his responsibilities in a bona fide manner in the interest of the company;
- (d) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (e) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (f) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (g) refrain from any action that would lead to loss of his independence;
- (h) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (i) assist the company in implementing the best corporate governance practices.

5. **Role and functions:**

The independent directors shall:

- (a) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (b) bring an objective view in the evaluation of the performance of board and management;
- (c) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (d) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (e) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (f) balance the conflicting interest of the stakeholders;
- (g) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (h) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

6. **Duties:**

The independent directors shall:

- (a) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (b) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (c) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (d) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (e) strive to attend the general meetings of the company;

(f) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

- (g) keep themselves well informed about the company and the external environment in which it operates;
- (h) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;



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- (i) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (j) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (k) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (l) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (m) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

### 7. Separate meetings:

- (a) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (b) All the independent directors of the company shall strive to be present at such meeting;
- (c) The meeting shall:
  - (i) review the performance of non-independent directors and the Board as a whole;
  - (ii) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - (iii) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### 8. Evaluation mechanism:

- (a) The Nomination Committee shall lay down the evaluation criteria for performance evaluation of independent directors.
- (b) The company shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.
- (c) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (d) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

### 9. Training of Independent Directors

- (a) The company shall provide suitable training to independent directors to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc.
- (b) The details of such training imparted shall be disclosed in the Annual Report.

## 7. APPOINTMENT OF DIRECTORS/ KMPs/ SENIOR OFFICIALS

1. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/ a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment (except for Nominee Directors), the Nomination and Remuneration Committee has regard to:

- assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board,
- the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company,
- the skills and experience that the appointee brings to the role of KMP/ Senior Official and how an appointee will enhance the skill sets and experience of the Board as a whole,



- the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment,

**2. Personal Specifications:**

- Degree holder in relevant disciplines,
- Experience of management in a diverse organization,
- Excellent interpersonal, communication and representational skills,
- Demonstrable leadership skills
- Commitment to high standards of ethics, personal integrity and probity,
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace,
- Having continuous professional development to refresh knowledge and skills.

For details of the personal specifications refer to **Annexure 1**.

**3. Letters of Appointment:**

Each Director/ KMP/ Senior Officials is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

**4. Remuneration of Directors, Key Managerial Personnel and Senior Management:**

The remuneration package and compensation for Directors, KMPs and Senior Officials shall be determined as per the service rules of the Company and the limits and statutory requirements as prescribed under the Companies Act, 2013 from time to time.

**8. EVALUATION FACTORS:**

The Board of Directors shall pay regards to the following parameters for the purpose of evaluating the performance of a particular director

In respect of each of the evaluation factors, various aspects have been provided to assist with the evaluation process in respect of performance of independent directors, non-independent directors, other employees of the Company and Committees of Directors separately, as such, evaluation factors may vary in accordance with their respective functions and duties.

**Rating Scale**

Scale	Performance
5	Excellent
4	Good
3	Satisfactory
2	Needs Improvement
1	Unacceptable

**INDEPENDENT DIRECTORS**

**Overall Rating**

- Compliance with Articles of Association, Companies Act & other laws
- Compliance with ethical standards & code of conduct of the Company
- Assistance in implementing Corporate Governance practices
- Rendering independent, unbiased opinion
- Attendance & presence in General Meetings
- Leadership Qualities
- Qualifications
- Disclosure of non-independence, if exists
- Independent view on key appointments & Strategy Formulation





## HISAR SPINNING MILLS LIMITED

- Objective evaluation of Board's performance
- Review of integrity of financial information & risk management
- Safeguard of stakeholders' interests
- Appointment & Removal of KMPs
- Determination of level of remuneration of KMPs
- Updation of skills & knowledge
- Punctuality
- Information regarding external environment
- Seeking expert opinion, when required
- Raising of concerns to the Board
- Safeguarding interest of whistle-blowers under Vigil Mechanism
- Reporting of Frauds, violations etc.
- Team work attributes
- Safeguard of confidential information

### NON- INDEPENDENT DIRECTORS/ EXECUTIVE DIRECTORS

#### Overall Rating

- Compliance with Article of Association, Companies Act & other laws
- Strategic Planning- Financial & Business
- Monitoring performance against plans
- Compliance with ethical standards & code of conduct
- Exercising duties diligently
- Qualifications
- Punctuality
- Disclosure of Interest
- Leadership skills
- Motivating employees, providing assistance & directions
- Establishment of internal control processes
- Communication skills
- Attendance & presence in meetings of Board & Committees
- Attendance of General Meetings
- Team work attributes
- Monitoring policies, encouraging suggestions
- Safeguard of confidential information

### COMMITTEES OF BOARD

The Board has constituted the following committees:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Stakeholder's Relationship Committee

For evaluating the performance of each committee, the Board of Directors shall pay regards to the following aspects:

#### Overall Rating

- Compliance with Articles of Association, Companies Act & other laws
- Compliance with ethical standards & Code of Conduct of the Company
- Committee's accomplishments w.r.t. performance objectives
- Adherence to Articles of Association, Companies Act and other applicable laws
- Redressal of complaints & grievances
- Coordination with other committees and Board of Directors
- Fulfilment of roles & responsibilities
- Adherence to Company's policies and internal procedures

**9. REVIEW**

Subject to the approval of the Board of Directors, the "Nomination and Remuneration Committee" reserves its right to review and amend this policy, if required, to ascertain the appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee and a subsequent approval by the Board of directors in their Board Meeting.

**10. DISCLOSURE**

In accordance with the requirement under the Act, disclosure regarding the manner in which the performance evaluation has been done by the Board of Directors of its own performance, performance of various committees of Directors and individual directors' performance will be made by the Board of Directors in the Board's Report. Further, the Board's Report containing such statement will be made available for the review of shareholders at the General Meeting of the Company.

**Annexure- 1****Personal Specifications for Directors:****1. Qualifications**

- Degree holder in relevant disciplines (e.g. management, accountancy, legal); or
- Recognised specialist

**2. Experience**

- Experience of management in a diverse organization
- Experience in accounting and finance, administration, corporate and strategic planning or fund management
- Demonstrable ability to work effectively with a Board of Directors

**3. Skills**

- Excellent interpersonal, communication and representational skills
- Demonstrable leadership skills
- Extensive team building and management skills
- Strong influencing and negotiating skills
- Having continuous professional development to refresh knowledge and skills

**4. Abilities and Attributes**

- Commitment to high standards of ethics, personal integrity and probity
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace

**5. Political inclinations and opinions.**



**"Mechanism for Performance Evaluation of Directors"  
(Legal Framework)**

In the endeavour to safeguard the interest of public at large, the Companies Act, 2013 (The Act) provides that the performance of the Board of Directors of Listed Companies and prescribed class of companies must be reviewed regularly against appropriate measures. For this purpose, the Nomination and Remuneration Committee of a Company has been obliged under Section 178 of the Act to formulate a draft policy for recommending it to the Board of Directors of the Company, setting the criteria, based on which the performance of each and every director including the performance of the Board as a whole shall be assessed by the Board of Directors of the Company. Based on such performance evaluation, remuneration of directors, KMPs and employees shall be determined. Such an evaluation procedure will provide a fine system of checks and balances on the performance of the Directors and will ensure that they exercise their powers in a rational manner. Relevant extracts of Section 178 of the Act reads as:

**Section 178 of the Companies Act, 2013**

(1) The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors:

Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

(2) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

(3) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

(4) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—

(a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;

(b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

Provided that such policy shall be disclosed in the Board's report.

(5) The Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board.

(6) The Stakeholders Relationship Committee shall consider and resolve the grievances of security holders of the company.

(7) The chairperson of each of the committees constituted under this section or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

(8) In case of any contravention of the provisions of section 177 and this section, the company shall be punishable with fine which shall not be less than one Lakh rupees but which may extend to five Lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both:

Provided that non-consideration of resolution of any grievance by the Stakeholders Relationship Committee in good faith shall not constitute a contravention of this section.

**Explanation.**—The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

As per Rule 6 of Companies (Meeting of Board and its Powers) Rules, 2014, the Board of Directors of following classes of Companies shall constitute a Nomination and Remuneration Committee:



**Committees of the Board.** - The Board of directors of every listed companies and the following classes of companies shall constitute an Audit Committee and a Nomination and Remuneration Committee of the Board-

- (i) all public companies with a paid up capital of ten crore rupees or more;
- (ii) all public companies having turnover of one hundred crore rupees or more;
- (iii) all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more.

**Explanation.** - The paid up share capital or turnover or outstanding loans, or borrowings or debentures or deposits, as the case may be, as existing on the date of last audited Financial Statements shall be taken into account for the purposes of this rule.

The Act, under Clause VIII of schedule IV, casts an obligation on the part of the Board of Directors for evaluating the performance of independent directors. All the Directors on the Board of a Company, except the independent director whose performance is being evaluated, will assess the performance of independent director. Accordingly, a report of performance evaluation of each independent director of the Company would be prepared, which would determine whether to extend or continue the term of appointment of the concerned independent director or not.

**SCHEDULE IV**  
**[See section 149(8)]**  
**CODE FOR INDEPENDENT DIRECTORS**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfillment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

**I. Guidelines of professional conduct:**

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a bona fide manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

**II. Role and functions:**

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key



## HISAR SPINNING MILLS LIMITED

managerial personnel and senior management;

(8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### III. Duties:

The independent directors shall :

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

### IV. Manner of appointment:

- (1) Appointment process of independent directors shall be independent of the company management while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made there under and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :
  - (a) the term of appointment;
  - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - (d) provision for Directors and Officers (D and O) insurance, if any;
  - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) the list of actions that a director should not do while functioning as such in the company; and
  - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

### V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.



**VI. Resignation or removal:**

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**VII. Separate meetings:**

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
  - (a) review the performance of non-independent directors and the Board as a whole;
  - (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:**

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMIC OVERVIEW

#### World

2017 was expected to be a good year for the global economy as growth was forecasted to reach 3.7 per cent. However, the economy grew overwhelmingly at 3.8 per cent, surpassing the projections. This growth can be attributed to the rise in Global trade. The Growth was driven by an investment recovery in advanced economies; continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. The year ended on a high with a growth rate of over 4 per cent in the second half.

Global growth is expected to tick up to 3.9 percent this year and next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States.

Long term growth for advanced economies is forecasted to remain subdued due to their slow growth potentials. However, emerging markets and growing economies are on track to continue delivering stable growth. The reason for the growth in emerging economies being gradual recovery in export and projected growth in India's growth. This provides some offset to China's gradual slowdown and emerging Europe's return to its lower-trend growth rate.

The months following the US elections saw a period of uncertainty in the trade market and investments were subdued. Over the next few months the market again gained the pace as a result of positive sentiments towards the decisions taken by the new US government. Therefore, business confidence is up and trade grew last year faster than under the previous government.

However, recent import restrictions announced United States, actions by China, and potential retaliation by the retaliatory announced other countries raise concerns in this regard and threaten to damage global and domestic activity and sentiment. Similarly, changes in US tax policies are expected to exacerbate income polarization which could affect the political climate for policy choices in the future. Climate change, geopolitical tensions, and cyber security breaches pose additional threats to the subdued medium-term global outlook.

Across advanced economies, the 0.6 percentage point pickup in 2017 as compared to 2016 is explained almost entirely by investment spending, which remained weak since the 2008-09 global financial crisis and was particularly subdued in 2016 due to the European sovereign debt crisis of 2010-2012 and the global commodity price realignments of 2014-2016. Both stronger gross fixed capital formation and an acceleration in stock building contributed to the pickup in investment, with accommodative monetary policy, stronger balance sheets, and an improved outlook helping release pent-up demand for capital goods.

The year saw a cyclic rebound in global trade as it recovered strongly after two years of weakness. The trade growth rose from 2.2 per cent in 2016 to 6.4- per cent in 2017, reflecting improved investment growth rates in formerly stressed commodity exporters as well as the recovery in advanced economy investment and domestic advanced economies, large exporters, such as Germany, Japan, the United Kingdom, and the United States, contributed strongly to the recovery in exports. The same is true for imports, all major advanced demand more generally. Among economies reflected an upwards trend except for the United Kingdom.

#### India

This year India has shown growth of around 7.5 per cent, which makes it the fastest growing economy among the G20 nations. The acceleration of structural reforms, the move towards a rule-based policy framework and low commodity prices have provided a strong growth impetus.

Reforms are gradually paying off as confirmed by the recovery in industrial production and investment after several weak years. With capacity utilization rising, corporate earnings recovering and the recapitalization of public banks, investment has revived. Private consumption has suffered from the confidence and employment shocks associated with demonetization. However, a recovery is underway as suggested by the recent rebound in two-wheeler sales and other vehicles. The number of employees eligible for social security benefits has been boosted by an amnesty scheme for companies, but still stands Emerging Economies below 10% of total employees. Employment data are partial but suggest that overall job creation has been lackluster.

Recent deregulation measures and efforts to improve the ease of doing business have boosted foreign investment. Investment is still held back by the complexity of the GST reforms, a slow land acquisition process, regulations which remain stringent in some areas, weak corporate balance sheets, high non-performing loans which weigh on banks' lending, and infrastructure bottlenecks.

The inflation has continued to moderate this year with Consumer Price index declining to 3.3 per cent for April—December 2017 as compared to the same period in 2016. However, the Wholesale Price Index stood at 2.9 per cent when compared to 0.9 percent in 2016. The sudden spike after years of subdued figures can be attributed to the volatility in the crude oil prices.

Corporate income in India continued to grow at 15-20 per cent supported strongly by recovery in capital expenditure. On the tax front, the year saw its share of ups and down, complexities of GST and the slow process of returns has hurt exporters. At the same time, tax collection figures for the year show an increase in net direct taxes by 19.5 per cent





year-on-year and an increase in net direct taxes by 222 per cent year-on-year. According to the Reserve Bank of India, The export contributing sectors with high working capital/sales ratio were hit the most due to these liquidity constraints. Textile industry has a working capital to sales ratio of around 34 per cent.

Such investments and exports when supported by smoother implementation of Goods and Service Tax (GST) reforms have the potential of becoming the primary growth drivers of the Indian Economy. Growth will be supported by an acceleration in private investment as excess capacity diminishes, deleveraging by corporates and banks continues and infrastructure projects mature. The IMF, projects Indian economy to grow at 7.6 per cent for 2018-19. Robust private consumption and new reforms have been the support pillars for the Indian economy for years and will continue to sustain the stable growth expected from the country.

#### GLOBAL T&A INDUSTRY

In 2017, global textile and apparel trade stood at US\$ 768 billion and has grown at a CAGR of 4% since 2005. Apparel is the largest category with a share of 58%, followed by fabric with a share of 19%.

The global textile and apparel trade is expected to grow at a rate of 6% from the present worth of US\$ 768 billion to US\$ 1,230 billion by 2025. Growth in global trade indicates an attractive opportunity for countries with large manufacturing capacities and competitive manufacturing.

India can be one of the gainers in the changing trade landscape.

Country	T & A Exports	Share 2017 (%)
China	280	36 %
India	37	5 %
Bangladesh	36	5 %
Germany	36	5 %
Italy	34	4 %
Vietnam	33	4 %
Turkey	27	3 %
USA	26	3 %
Spain	19	2 %
France	16	2 %
Belgium	15	2 %
Korea	13	2 %
RoW	197	26 %
<b>Grand Total</b>	<b>768</b>	

China has successfully leveraged its low manufacturing cost and large scale infrastructure to achieve notable share of 37% in global textiles and apparel trade followed by India with a share of 5%. It is then followed by Bangladesh and Germany with a share of 5% each and Italy & Vietnam each having a share of 4%. It is worth noting that many major exporting nations do not have presence of the entire value chain, Bangladesh and Vietnam having 3rd and 6th position in global trade respectively, have negligible presence in textiles trade and are major apparel exporters. Similarly, Korea is more focused on exports of textiles.

There was a 4% decline in trade in 2016 compared to 2015 owing to stilled global economic scenario. However, the trade in 2017 showed a positive growth of 3% after the downfall in 2016.

#### Share of Major Suppliers:

Over the last decade, share of top 10 global suppliers has increased from 62% in 2007 to 71% in 2017 indicating consolidation of global sourcing. China & HK has maintained the top position with 37% share in global exports in 2017. India has emerged as second largest exporter of textile and apparel.

#### INDIAN TEXTILE INDUSTRY OVERVIEW

Textile and apparel sector is one of the leading segments of the Indian economy and one of the largest sources of foreign exchange earnings. It accounts for about 5% of the gross domestic product (GDP), and around 13% of the total exports earnings. The sector also provides direct employment to 52 million people and indirect employment to an additional 69 million people.

India's key strengths in this sector lies in availability of all types-of natural and manmade fibres, large pool of manpower across the levels of hierarchy, presence of complete value chain and a large and growing domestic market. Indian exporters are also well supported by Government Schemes such as Duty Drawback, Rebate of State Levies, (ROSL), Merchant Export from India Scheme (MEIS), Advanced Authorization, etc. Several state governments like Gujarat, Jharkhand, Maharashtra, etc. are also offering sector specific incentives like capital subsidy, interest subsidy, wage subsidy, etc. These support initiatives allow Indian exporters to overcome a large part of duty disadvantage they face in markets of EU and US where some of the competing nations get a zero duty access. These factors make India a



preferred destination for textile investments as compared to its competing nations like Bangladesh, Vietnam, and Sri Lanka etc. This section further details the current status of Indian textile and apparel industry, key trends, challenges and the way ahead for the sector.

Indian textile and apparel sector has double advantage of being export competitive as well having large domestic consumption which is growing. Indian textile and apparel market is currently estimated at US\$ 127 Bn. The domestic consumption of textiles and apparel constitutes approximately 70% of the total market size while exports constitute the rest 30%.

#### Domestic Market Overview

The current domestic textile and apparel market is estimated at US\$ 90 billion, with apparel having ~75% share. With growth of disposable income, favorable demographics and changing lifestyle, consumption of products and services is expected to grow continuously in the foreseeable future, including textiles and apparel.

Indian consumers' affinity towards brands and organized retailing is increasing, which is helping the consumption growth of all products, including textile and apparel. Organized retailing in India currently stands at only 8% of the overall retail market of US\$ 600 Bn. Within this, apparel has a share of approximately 8%. With growth of disposable income, favorable demographics, changing lifestyles and a high, potential for penetrating non-urban metro markets; the share of organized markets in India is expected to reach 31% by 2025. India is also witnessing growth of its aspiring middle class who tend to seek value and consume premium products. This shift in number of households within different income brackets will improve the consumption of products and services, which will definitely include textile and apparel as a lifestyle choice to enhance fashion. The vast population base and growing economy has caused global retailers and brands to enter the Indian market, either on their own or through local partners.

#### Indian Exports Overview

In terms of global ranking, India is ranked 2nd in textile export with 6% share and 5th in apparel export with 11% share. Overall, India holds second position with 5% share of global exports. India's textile and apparel exports were US\$ 37 billion in 2017-18 and have grown at 6% CAGR since 2005. Availability of raw material, skilled manpower and favorable central & state govt. schemes would further help Indian exporters increase their market share and global competitiveness.

#### Indian Textile Manufacturing Scenario

India is one of the few countries in the world which has production at each level of textile manufacturing viz. fibre manufacturing, spinning, weaving, knitting, processing, garmenting, made-ups and technical Textiles. The snapshot of installed capacities of textile infrastructure in India is provided in the table below:

Table 2: Installed Capacities in Indian Textile Sector (2016-17)

Description	Capacities
Spindles	52 Mn.
Rotor	0.9 Mn.
Looms (including Power Looms)	2.8 Mn.
Man Made Fibre	1.8 Bn. kg.
Man Made Filament	2.2 Bn. kg.

India's total staple fiber production stood at 9,189 million kg in 2016-17. Natural fiber production in India has reduced at 1% CAGR, but the production of man-made staple fiber grew at 2% CAGR since 2011-12.

India's one of the most competitive producer of spun yarn. The production of spun yarn stood at 5659 million kg in 2016-17, growing at a CAGR of 3% since 2011-12.

Fabric production in India has grown at a CAGR of 1% since 2011-12. Cotton fabrics have the majority share of 80% while manmade fabrics and blended fabrics have a share of 23% and 17%, respectively.

#### India's Global Position

##### Share in global trade and future projections

Global textile and apparel trade grew at a rate of 4% over the last decade to reach a value of US\$ 743 Bn. in 2016. During the same period, India's export of textile and apparel grew at a comparatively higher rate of 7% to reach an export value of US\$ 37 Bn. in 2016. India's textile and apparel exports are expected to grow at a CAGR of 6% to reach US\$ 60 Bn. in 2025.

India currently enjoys the position of being the second largest exporter of textile products to the world, next to China. Availability of raw material, skilled manpower and favourable central & state govt. schemes would further help Indian exporters increase their market share and global competitiveness.

**THE COMPANY****INTERNAL CONTROL SYSTEM**

A strong internal control is pervasive in the Company. The Company has a well established framework of internal control in all areas of its operations, including suitable monitoring procedures, competent and qualified personnel. The Internal Audit department also assesses the opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the Company. In addition to statutory audit, the financial controls of the Company at various locations are reviewed by the Internal Auditors, who report their findings to the Audit Committee of the Board. The Audit Committee actively reviews the adequacy and effectiveness of internal control system and suggests further strengthening the same, if so required. The Committee meets to review the progress of the internal audit initiatives, significant audit observations, planning and implementation of follow up action required. The Company conducts its business with integrity and high standard of ethical behavior and in compliance with the applicable laws and regulations that govern its business.

**POLICY ON PREVENTION OF SEXUAL HARASSMENT AT WORKPLACES**

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention of Sexual Harassment at Workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Management of the Company has also constituted an Internal Complaints Committee at its workplaces to consider and redress the complaints of Sexual Harassment. During the year under review, the Company has not received any complaint on sexual harassment.

**RISK MANAGEMENT FRAMEWORK**

Business risks exist for every Company having national and international exposure. Your Company also faces some such risks, the key ones are unfavourable raw material price, financial & liquidity & unexpected changes in regulatory framework. To ensure long-term success, it is therefore essential that risks be effectively identified, analyzed and then mitigated by means of appropriate control measures.

We have a comprehensive risk management system/policy in place, which enables us to assess, mitigate and to monitor the different risks exposed to the industry in which the Company operates and to take the appropriate action, where ever required.

**HEALTH AND SAFETY MEASURES**

The Company has health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable laws/legislative requirements. The Company believes that the health and safety of the workers and the persons residing in the vicinity of its plants is fundamental to the business. Commitment to the identification and elimination or control of the workplace hazards for protection of all is utmost importance.

**HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The permanent employee strength of Company as on 31<sup>st</sup> March 2018 was Sixty One. The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The Company has been adopting methods and practices for Human Resources development. With utmost respect to human values, the Company continues to develop its human resources, through appropriate trainings, workshops, motivation/leadership techniques and employee welfare activities at regular intervals.

**CAUTIONARY STATEMENT**

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and yarn prices in the domestic and overseas markets, changes in government regulations, tax laws and economic developments.

By order of the Board of Directors

Place: Chandigarh  
Dated: September 05, 2018

Sd/-  
(Anurag Gupta)  
Managing Director  
DIN-00192888

Sd/-  
(Sapna Kansal)  
Executive Director  
DIN-06892410

**INDEPENDENT AUDITOR'S REPORT**

**To The Members of Hisar Spinning Mills Limited**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **Hisar Spinning Mills Limited** ("the Company"), which comprise the Balance Sheet as at **31st March, 2018**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profit, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in "Annexure A", a statement on the matters specified in the paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on 31st March, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.



- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No. 000711N)

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347





**ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT**

**(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Hisar Spinning Mills Limited of even date)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a program for the physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory has been physically verified during the year by the management at reasonable intervals. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Thus, paragraph 3(ii) (a), (b) and (c) of the Order are not applicable.
- (iv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not advanced any loans or made any investments or given any guarantees or provided any security during the year. Thus, paragraph 3(iv) of the Order is not applicable.
- (v) The Company has not accepted deposits during the year and does not have any unclaimed deposits as at 31st March, 2018 and therefore, the provisions of the paragraph 3(v) of the Order are not applicable to the Company.
- (vi) The Central Government has not specified the maintenance of cost records under Section 148(1) of the Act, for any of the products of the Company.
- (vii) (a) The Company has generally been regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income-tax, sales-tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable to the Company, with the appropriate authorities, though there has been slight delay in few cases. According to the information and explanations given to us, no undisputed amounts outstanding as payable in respect of such statutory dues were in arrears as at 31st March, 2018 for a period of more than six months from the date they became payable.





## HISAR SPINNING MILLS LIMITED

- (b) There are no dues of income tax or service tax or goods and service tax or duty of customs or duty of excise which have not been deposited on account of any dispute. According to the records of the Company, the outstanding dues of sales tax or value added tax on account of dispute are given below:

Nature of the Statute	Nature of the Dues	Amount (₹) (Gross)	Amount Paid/ adjusted under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
Haryana Value Added Tax Act, 2003	Value added tax	397773/-	397773/-	Assessment Year 2012-2013	Before the Joint Excise and Taxation Commissioner (Appeals), Haryana
Central Sales Tax Act, 1956	Central sales tax	87675/-	87675/-	Assessment Year 2013-2014	Before the Joint Excise and Taxation Commissioner (Appeals), Haryana

- (viii) The Company has not defaulted in repayment of loans or borrowing to a financial institution or bank. The Company does not have any loans or borrowing from Government during the year. The Company also does not have any outstanding debentures during the year.
- (ix) The Company has not raised any money during the year by way of initial public offer or further public offer (including debt instruments) and term loans. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.



## **HISAR SPINNING MILLS LIMITED**

- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected to its directors. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No. 000711N)

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347

**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Hisar Spinning Mills Limited of even date)

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls with reference to financial statements of **Hisar Spinning Mills Limited** ("the Company") as of **31st March, 2018** in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls with reference to financial statements**

The Company's management is responsible for establishing and maintaining internal financial controls with reference to financial statements based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls with reference to financial statements that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

**Meaning of Internal Financial Controls with reference to financial statements**

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls with reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31st March, 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No. 000711N)

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347

# HISAR SPINNING MILLS LIMITED



## Balance Sheet as at 31st March 2018

		₹ in Lakhs			
Particulars	Note No.	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016	
<b>ASSETS</b>					
<b>Non-current assets</b>					
(a) Property, Plant and Equipment	3	440.89	614.75	792.36	
(b) Capital work-in-progress	4	0.00	0.00	59.04	
(c) Financial Assets					
(i) Other financial assets	5	59.49	57.76	54.96	
(d) Deferred tax assets (net)	6	128.39	90.80	70.70	
(e) Other non-current assets	7	3.46	6.10	8.78	985.84
<b>Current assets</b>					
(a) Inventories	8	528.18	465.97	380.18	
(b) Financial Assets					
(i) Trade receivables	9	186.81	151.42	138.55	
(ii) Cash and cash equivalents	10	66.21	76.56	65.35	
(iii) Bank balances other than (i) above	11	52.97	50.00	0.00	
(iv) Other financial assets	12	5.48	4.23	1.65	
(c) Current Tax Assets (Net)	13	1.16	1.44	1.44	
(d) Other current assets	14	39.01	16.77	35.25	600.42
<b>Total Assets</b>		<b>1513.85</b>	<b>1535.80</b>	<b>1586.26</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
(a) Equity Share capital	15	373.50	373.50	373.50	
(b) Other Equity	16	364.29	737.79	223.00	579.97
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
(a) Financial Liabilities					
(i) Borrowings	17	221.06	325.09	477.40	
(ii) Other financial liabilities	18	83.47	93.51	79.73	
(b) Other non-current liabilities	19	156.16	160.70	586.30	731.70
<b>Current liabilities</b>					
(a) Financial Liabilities					
(i) Borrowings	20	29.62	69.76	0.00	
(ii) Trade payables	21	38.00	39.61	41.28	
(iii) Other financial liabilities	22	195.18	208.42	221.67	
(b) Other current liabilities	23	51.26	14.12	9.27	
(c) Provisions	24	0.49	0.51	0.47	
(d) Current Tax Liabilities (Net)	25	0.00	7.58	1.90	274.59
<b>Total Equity and Liabilities</b>		<b>1513.85</b>	<b>1535.80</b>	<b>1586.26</b>	

Significant Accounting Policies

2

The accompanying Notes are an integral part of the Financial Statements

In terms of our report on even date attached

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
Firm's Registration No. 000711N

For and on behalf of the Board of Directors of  
HISAR SPINNING MILLS LIMITED

Place: Chandigarh  
Date: 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347

(ANURAG GUPTA)  
Managing Director  
DIN-00192888

(NIKHIL GOEL)  
Director  
DIN-01741446

(SHARAD GOEL)  
Chief Financial Officer

(MANMEET KAUR SINGHOTA)  
Company Secretary

# HISAR SPINNING MILLS LIMITED



## Statement of Profit and Loss for the year ended 31st March 2018

		₹ in Lakhs	
Particulars	Note No.	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>REVENUE</b>			
Revenue From Operations	26	2873.59	2685.26
Other Income	27	15.76	12.63
<b>Total Income</b>		<b>2889.35</b>	<b>2697.89</b>
<b>EXPENSES</b>			
Cost of materials consumed	28	1698.04	1536.51
Changes in inventories of finished goods and work-in-progress	29	-38.02	2.12
Employee benefits expense	30	141.44	80.56
Finance costs	31	61.45	73.85
Depreciation expense	32	187.77	271.97
Other expenses	33	653.08	639.50
<b>Total Expenses</b>		<b>2703.76</b>	<b>2604.51</b>
<b>Profit before exceptional items and tax</b>		<b>185.59</b>	<b>93.38</b>
Exceptional Items	34	0.00	-34.60
<b>Profit before tax</b>		<b>185.59</b>	<b>58.78</b>
<b>Less: Tax expense:</b>	35		
(1) Current tax		62.05	62.24
(2) Deferred tax		-37.59	-20.10
<b>Profit for the period</b>		<b>141.19</b>	<b>16.64</b>
<b>Other Comprehensive Income</b>			
A (i) Items that will not be reclassified to profit or loss			
(a) Remeasurement of the defined benefit plans		0.26	-0.16
(ii) Income tax relating to items that will not be reclassified to profit or loss		-0.07	0.05
<b>Total Other Comprehensive Income for the period</b>		<b>0.19</b>	<b>-0.11</b>
<b>Total Comprehensive Income for the period</b>		<b>141.29</b>	<b>16.53</b>
<b>Earnings per equity share:</b>	36		
(Nominal value of equity share - ₹ 10/-)			
Basic (₹)		3.78	0.45
Diluted (₹)		3.78	0.45

In terms of our report on even date attached

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
Firm's Registration No. 000711N

For and on behalf of the Board of Directors of  
HISAR SPINNING MILLS LIMITED

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347

(ANURAG GUPTA)  
Managing Director  
DIN-00192858

(NIKHIL GOEL)  
Director  
DIN-01741445

(SHARAD GOEL)  
Chief Financial Officer

(MANMEET KAUR SIHOTA)  
Company Secretary

**HISAR SPINNING MILLS LIMITED****Statement of Cash Flows for the year ended 31st March 2018**

Particulars	₹ in Lakhs	
	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>A. Cash flow from operating activities</b>		
Profit before tax	185.59	58.78
Adjustments for:		
Depreciation on property, plant and equipment	187.77	271.97
(-) Profit/ loss on disposal of property, plant and equipment	0.00	-1.42
Deferred Government grant relating to EPCG Scheme	-1.94	-8.28
Deferred Government grant relating to property, plant and equipment	-0.05	-0.05
Fair value loss/ (-) gain on financial instruments at FVTPL	2.11	-3.34
Loss/ (-) gain on foreign currency transactions and translation	-1.03	2.18
Deferred processing fees	0.06	0.06
Sundry debit balances written off	0.49	0.00
Interest income	-13.57	-8.83
Finance costs	61.45	73.85
<b>Operating profit before working capital changes</b>	<b>420.85</b>	<b>386.92</b>
Movement in working capital:		
Decrease/ (-) increase in inventories	-63.22	-105.79
Decrease/ (-) increase in trade receivables	-34.36	-17.05
Decrease/ (-) increase in other financial assets	-2.41	0.03
Decrease/ (-) increase in other assets	-19.66	21.10
Increase/ (-) decrease in trade payables	-1.61	-1.67
Increase/ (-) decrease in other financial liabilities	2.56	-22.64
Increase/ (-) decrease in other liabilities	14.62	6.08
Increase/ (-) decrease in provisions	0.24	-0.12
<b>Cash generated from operations</b>	<b>317.04</b>	<b>266.86</b>
Less: Income Tax Paid (net of refunds)	-89.95	-56.51
<b>Net cash from operating activities</b>	<b>227.09</b>	<b>210.35</b>
<b>B. Cash flow from investing activities</b>		
(-) Purchase of property, plant and equipment (including capital work-in-progress)	-13.91	-32.66
Proceeds from disposal of property, plant and equipment	0.00	2.21
(-) Increase/ decrease in fixed deposits with banks more than twelve months maturity (pledged with banks towards margin against bank guarantees)	0.00	-5.31
(-) Increase/ decrease in deposits with more than three months but less than twelve months maturity	-2.97	-50.00
Interest received	10.90	10.84
<b>Net cash used in investing activities</b>	<b>-5.98</b>	<b>-74.92</b>





## HISAR SPINNING MILLS LIMITED

### C. Cash flow from financing activities

Proceeds from /(-) repayment of long-term borrowings	-156.60	-146.19
Proceeds from /(-) repayment of short-term borrowings	-40.14	69.76
Finance costs (net of TUFS Subsidy)	-34.72	-47.79
<b>Net cash used in financing activities</b>	<b>-231.46</b>	<b>-124.22</b>
<b>Net increase/ (-) decrease in cash and cash equivalents</b>	<b>-10.35</b>	<b>11.21</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>76.56</b>	<b>65.35</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>66.21</b>	<b>76.56</b>
<b>Components of cash and cash equivalents</b>		
Balances with Banks		
- in current accounts	10.29	41.00
- in deposit accounts with maturity up to three months	53.07	33.50
Cheques, drafts on hand	0.08	0.00
Cash on hand	2.77	2.06
	<b>66.21</b>	<b>76.56</b>

### Notes

- The Cash flow statement has been prepared in accordance with 'Indirect Method' as set out in Indian Accounting Standard (Ind AS) - 7 'Statement of Cash Flows', as notified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder.
- Changes in liabilities arising from financing activities

Particulars	₹ in Lakhs	
	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>Opening balance of borrowings</b>		
<b>Borrowings (non-current)</b>		
- Term Loans (including current maturities)	457.52	597.24
- Other long-term borrowings from banks	0.48	6.95
Borrowings (current)	69.76	0.00
<b>Cash Flows</b>		
Repayment of term loans	156.12	139.72
Repayment of other long-term borrowings from banks	0.48	6.47
Proceeds from term loans	0.00	0.00
Increase/ (-) decrease in borrowings (current)	-40.14	69.76
<b>Closing balance of borrowings</b>		
<b>Borrowings (non-current)</b>		
- Term Loans (including current maturities)	301.40	457.52
- Other long-term borrowings from banks	0.00	0.48
Borrowings (current)	29.62	69.76

**3. Amendment to Ind AS 7**

Effective 01 April 2017, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

In terms of our report on even date attached

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
Firm's Registration No. 000711N

For and on behalf of the Board of Directors of  
HISAR SPINNING MILLS LIMITED

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 51934

(ANURAG GUPTA)  
Managing Director  
DIN-00192888

(NIKHIL GOEL)  
Director  
DIN-01741446

(SHARAD GOEL)  
Chief Financial Officer

(MANMEET KAUR SIHOTA)  
Company Secretary



# HISAR SPINNING MILLS LIMITED

## Statement of Changes in Equity for the year ended 31st March 2018

₹ in Lakhs

Particulars	As at 31.03.2018		As at 31.03.2017	
	Number of shares	Amount	Number of shares	Amount
<b>A. Equity Share Capital</b>				
Balance at the beginning of the reporting period	3735000	373.50	3735000	373.50
Changes in equity share capital during the period	-	-	-	-
Balance at the end of the reporting period	3735000	373.50	3735000	373.50

Particulars	Reserves and surplus		Items of OCI	Total
	Equity component of compound financial instruments	Retained Earnings	Remeasurement of defined benefit plans	
<b>B. Other Equity</b>				
<b>Balance as at 01.04.2016</b>	0.00	<b>238.43</b>	0.00	<b>238.43</b>
Impacts due to Ind As Adjustment	43.05	-75.01	0.00	-31.96
Restated balance at the beginning of the reporting period	<b>43.05</b>	<b>163.42</b>	<b>0.00</b>	<b>206.47</b>
Profit for the period	0.00	16.64	0.00	16.64
Other comprehensive income/ (-) loss for the period	0.00		-0.11	-0.11
Total comprehensive income/ (-) loss for the period	0.00	16.64	-0.11	16.53
<b>Balance as at 31.03.2017</b>	<b>43.05</b>	<b>180.06</b>	<b>-0.11</b>	<b>223.00</b>
<b>Balance as at 01.04.2017</b>	<b>43.05</b>	<b>180.06</b>	<b>-0.11</b>	<b>223.00</b>
Profit for the period	0.00	141.10	0.00	141.10
Other comprehensive income/ (-) loss for the period	0.00		0.19	0.19
Total comprehensive income/ (-) loss for the period	0.00	141.10	0.19	141.29
<b>Balance as at 31.03.2018</b>	<b>43.05</b>	<b>321.16</b>	<b>0.08</b>	<b>364.29</b>

In terms of our report on even date attached

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
Firm's Registration No. 000711N

For and on behalf of the Board of Directors of  
HISAR SPINNING MILLS LIMITED

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347

(ANURAG GUPTA)  
Managing Director  
DIN-00192888

(NIKHIL GOEL)  
Director  
DIN-01741446

(SHARAD GOEL)  
Chief Financial Officer

(MANMEET KAUR SIHOTA)  
Company Secretary

**Notes to financial statements for the year ended 31st March 2018****1. Corporate and General Information**

Hisar Spinning Mills Limited (hereinafter referred to as "the Company") is a Company domiciled in India with its registered office situated at VPO Dabra, Hisar -125005, Haryana. The Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the Bombay Stock Exchange (BSE) in India. Corporate identification number of the Company is L17112HR1992PLC031621 and the Company is engaged in the business of manufacturing and sale of cotton blended yarn.

The financial statements were authorized for issue by the Company's Board of Directors on 22nd May 2018.

**2. Significant accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

**(a) Basis of preparation of financial statements**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The financial statements up to and for the year ended 31st March 2017 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act hereinafter referred as Previous GAAP ('IGAAP').

As these are the first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in note no. 43.

The financial statements have been prepared on the historical cost basis, except for the following items:

- Certain financial assets and liabilities (including derivative instruments) are recorded at fair value
- Net defined benefit liabilities are measured at present value of defined benefit obligation.

**(b) Functional and Presentation Currency**

The financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest Lakhs, unless otherwise indicated.

**(c) Use of estimates and judgements**

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made. Differences between actual results and estimates are recognised in the period in which the results are known/ materialised.

**(d) Current versus non-current classification**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

**Assets**

An asset is classified as current when it satisfies any of the following criteria:

- It is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realised within 12 months after the reporting date; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

**Liabilities**

A Liability is classified as current when it satisfies any of the following criteria:

- It is expected to be settled in the company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within 12 months after the reporting date; or
- The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

**(e) Property, plant and equipment**

The Company has applied one time transition exemption of Ind AS 101 First-time Adoption of Indian Accounting Standards and has elected to consider carrying amount of all items of property, plant and equipments measured as per Indian GAAP as recognized in the financial statements as at the date of transition i.e., 1st April, 2016, as deemed cost at the date of transition and hence regarded thereafter as the historical cost. The effect of consequential changes arising on the application of other Ind AS has been adjusted to the deemed cost of Property, Plant and Equipment.

Freehold land is carried at cost. All other items of Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The Cost of an item of Property, Plant and Equipment comprises:

- its purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates.



- any attributable expenditure directly attributable for bringing an asset to the location and the working condition for its intended use and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in net profit in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

Depreciation on property, plant and equipment has been provided on diminishing balance method (written down value method) in the manner and over the useful life of the assets prescribed under Part 'C' of Schedule II to the Companies Act, 2013 except for certain items of plant and equipment having gross carrying amount of ₹ 1017924/-, where the management estimates the life as 3 years based on internal assessment and independent technical evaluation carried out by external valuers. The management believes that the useful life of 3 years for the said assets best represent the period over which the management expects to consume future economic benefits embodied in these assets through its use. Hence the useful life of these assets is different from the useful life as prescribed under Part 'C' of Schedule II to the Companies Act, 2013.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

#### (f) Impairment of assets

##### a Financial assets

The company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in statement of profit or loss.

##### b Non-financial assets

The Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.



The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss. Impairment loss recognised in respect of a CGU is allocated to reduce the carrying amounts of the assets of the CGU (or group of CGUs) on a pro rata basis.

In respect of assets for which impairment loss has been recognised in prior periods (if any), the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(g) Inventories**

Inventories (other than saleable waste) have been valued at lower of cost and net realisable value. However, raw materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition; where the costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost in respect of different classifications of inventories is computed as under:

- in case of raw materials, stores and spare-parts etc. at first-in-first-out (FIFO) cost method plus direct expenses.
- in case of work-in-progress at raw material cost (determined on FIFO cost method) plus appropriate portion of conversion cost and other overheads incurred depending upon the stage of completion.
- in case of finished goods at raw material cost (determined on FIFO cost method) plus conversion cost, packing cost and other overheads incurred to bring the goods up to their present location and condition.

Saleable waste has been valued at estimated net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

Provision for obsolete/ old inventories is made, wherever required.

**(h) Foreign currency transactions**

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.





The foreign currency monetary items are translated using the closing rate at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

(i) **Employee benefits**

- **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

- **Defined contribution plans**

For certain group of employees, employee benefit in the form of Provident fund, Employees State Insurance Contribution and Labour Welfare fund are defined contribution plans. The Company has no obligation, other than the contribution payable to the respective fund. The Company recognises contribution payable to these funds/ schemes as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

- **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The company fully contributes all ascertained liabilities with Life Insurance Corporation of India (LIC) through a trust formed by the Company for the purpose. LIC administers contributions and contributions are invested in the schemes as permitted by the laws of India.

The Company recognises the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Remeasurement, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income (OCI) in the period in which they occur. Remeasurement is not reclassified to profit or loss in subsequent periods.

- **Compensated absences**

Based on the leave rules of the Company, employees are not permitted to accumulate leave. Any unavailed privileged leave to the extent encashable is paid to the employees and charged to the Statement of Profit and Loss for the year.

**(j) Revenue recognition**

Revenue is recognised at the fair value of the consideration received or receivable. The amount disclosed as revenue is net of returns, trade discounts, value added tax, goods and services tax and amount collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

**Sale of goods**

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

**Other than sale of goods**

- Revenue (other than sale of goods) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Export incentives and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions and the incentive will be received.
- Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.
- Insurance claims are accounted for on an accrual basis, to the extent these are measurable and ultimate collection is reasonably certain.

**(k) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of Profit and Loss over the period of the borrowings using the effective interest method (EIR). Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

**(l) Borrowing costs**

Borrowing costs are interest and other costs incurred in connection with borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognised as expense in the period in which they are incurred.

**(m) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants that compensate the Company for expenses incurred are recognised in the statement of profit and loss, as income or deduction from the relevant expense, on a systematic basis in the periods in which the expense is recognised.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to statement of profit and loss on a diminishing balance basis over the expected lives of the related assets to match them with the costs for which they are intended to compensate and presented within other income. In case of the Government grant received is to compensate the import cost of assets subject to an export obligation as primary condition, Government grants are included in liabilities as deferred income and are credited to statement of profit and loss according to fulfilment of associated export obligation and presented within other operating revenues.



**(n) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i Initial recognition and measurement**

On initial recognition, all the financial assets and liabilities are recognized at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability except financial asset or financial liability measured at fair value through profit or loss. Transaction costs of financial assets and liabilities carried at fair value through the Profit and Loss are immediately recognized in the Statement of Profit and Loss.

**ii Subsequent measurement**

**a Non-derivative financial instruments**

**i Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**ii Financial assets at fair value through profit or loss (FVTPL)**

A financial asset is measured at fair value through profit and loss unless it is measured at amortized cost.

**iii Financial liabilities**

The financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**b Derivative financial instruments**

The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the statement of profit and loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

**iii Derecognition of financial instruments**

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired.



## HISAR SPINNING MILLS LIMITED

### (o) Measurement of fair values

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### (p) Cash and cash equivalents

The Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity period of three months or less from the balance sheet date, which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### (q) Earning per share

Basic earning per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### (r) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future obligation at pre-tax rate that reflects current market assessments of the time value of money risks specific to liability. They are not discounted where they are assessed as current in nature. Provisions are not made for future operating losses.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made. Contingent assets are not recognised in the financial statements but disclosed, where an inflow of economic benefit is probable.



Provisions, contingent liabilities and contingent assets and commitments are reviewed at each balance sheet date.

**(s) Taxation**

Income tax expense comprises current and deferred tax. It is recognised in Statement of Profit and Loss, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively.

**i. Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**ii. Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(t) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker "CODM" of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments. The Board of Directors of the Company has been identified as being the CODM and CODM reviews the operations of the Company as a whole.





## HISAR SPINNING MILLS LIMITED

### (u) Recent accounting pronouncements

#### Standards issued but not yet effective

On 28th March, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendments Rules, 2018 containing appendix B to Indian Accounting Standards (Ind AS) AS 21, foreign currency transactions and advance consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related assets, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 1st April, 2018 and the Company is in the process of evaluating the impact on the financial statements.

#### Ind AS 115, Revenue from contracts with customers:

On 28th March, 2018, Ministry of Corporate Affairs ("MCA") has notified the Indian Accounting Standards (Ind AS) 115, Revenue from contract with customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under Indian Accounting Standards (Ind AS) 115, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Moreover, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The effective date for adoption of Indian Accounting Standards (Ind AS) 115 is financial periods beginning on or after 1st April, 2018. The Company will adopt the standard on 1st April, 2018.

The Company is in process of evaluating the impact on the standalone financial statements.





**HISAR SPINNING MILLS LIMITED**


Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>4. Capital work-in-progress</b>			
Capital work-in-progress	0.00	0.00	59.04
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>59.04</b>
<b>5. Other financial assets (non-current)</b>			
<b>Financial assets at amortized cost</b>			
Fixed Deposits with banks more than twelve months maturity (pledged with banks towards margin against bank guarantees)	29.89	29.89	24.58
Interest accrued on fixed deposits with banks	8.27	6.32	8.80
Security Deposits	21.32	21.55	21.58
<b>Total</b>	<b>59.48</b>	<b>57.76</b>	<b>54.96</b>
<b>6. Deferred tax assets (net)</b>			
<b>Deferred tax assets</b>			
Impact of Depreciation on property, plant and equipment	57.94	37.58	21.96
Government grant	70.75	54.23	49.25
Derivative financial instruments carried at FVTL	0.00	0.00	0.38
<b>Total deferred tax assets</b>	<b>128.69</b>	<b>91.81</b>	<b>71.59</b>
<b>Deferred tax liabilities</b>			
Unwinding of upfront fees	0.24	0.40	0.79
Deferred expenditure	0.06	0.07	0.10
Derivative financial instruments carried at FVTL	0.00	0.54	0.00
<b>Total deferred tax liabilities</b>	<b>0.30</b>	<b>1.01</b>	<b>0.89</b>
<b>Deferred tax assets (net) (refer note no. 35)</b>	<b>128.39</b>	<b>90.80</b>	<b>70.70</b>
<b>7. Other non-current assets</b>			
Capital Advances for purchase of property, plant and equipment	0.00	1.40	5.80
Prepaid expenses	3.31	4.49	2.91
Other advances	0.15	0.21	0.27
<b>Total</b>	<b>3.46</b>	<b>6.10</b>	<b>8.78</b>



Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>8. Inventories</b>			
(valued at lower of cost and net realisable value, unless otherwise stated)			
Raw materials	262.39	269.41	157.31
Work-in-progress	85.76	49.15	55.96
Finished goods	107.80	106.23	103.46
Stores and spare-parts etc.	50.70	38.48	42.67
Saleable waste (valued at net realisable value)	2.54	2.70	0.78
<b>Total</b>	<b>529.19</b>	<b>465.97</b>	<b>360.18</b>
<b>Goods-in-transit included in above inventories are as under:</b>			
Raw materials	4.04	0.00	0.00
Stores and spare-parts etc.	0.17	0.00	0.00
Inventories are hypothecated to secure short-term borrowings (refer note 20)			
<b>9. Trade receivables</b>			
(unsecured, considered good)			
Trade receivables	166.81	151.42	136.55
<b>Total</b>	<b>166.81</b>	<b>151.42</b>	<b>136.55</b>
Trade receivables are hypothecated to secure short-term borrowings (refer note 20)			
<b>10. Cash and cash equivalents</b>			
Balances with Banks			
- in current accounts	10.29	41.00	0.32
- in cash credit accounts (debit balance)	0.00	0.00	45.26
- in deposit accounts with maturity up to three months	53.07	33.50	0.00
Cheques, drafts on hand	0.08	0.00	17.04
Cash on hand	2.77	2.06	2.73
<b>Total</b>	<b>66.21</b>	<b>76.56</b>	<b>65.35</b>
<b>11. Bank balances other than Cash and cash equivalents</b>			
<b>Other bank balances</b>			
- Deposits with more than twelve months maturity	29.89	29.89	24.58
- Deposits with more than three months but less than twelve months maturity	52.97	50.00	0.00
	82.86	79.89	24.58
Less: Amounts disclosed as other financial assets (non-current) [refer note 5]	29.89	29.89	24.58
<b>Total</b>	<b>52.97</b>	<b>50.00</b>	<b>0.00</b>



Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>12. Other financial assets (current)</b>			
Financial assets at amortised cost			
Interest receivable	2.84	2.12	1.65
Insurance claim receivable	2.64	0.00	0.00
Financial assets at fair value through Profit and loss			
Derivative financial instruments	0.00	2.11	0.00
<b>Total</b>	<b>5.48</b>	<b>4.23</b>	<b>1.65</b>
<b>13. Current Tax Assets (Net)</b>			
Advance income tax (net of provision for current tax)	1.16	1.44	1.44
<b>Total</b>	<b>1.16</b>	<b>1.44</b>	<b>1.44</b>
<b>14. Other current assets</b>			
Advances to suppliers of goods and services	0.10	0.04	4.45
Other advances	0.25	0.25	0.40
Taxes and duties deposited under protest	4.85	3.98	0.00
Taxes and duties recoverable/ refundable	28.53	0.06	6.68
Prepaid expenses	2.82	2.86	2.44
Interest subsidy receivable	2.46	8.70	21.28
Export benefits receivable	0.00	0.88	0.00
<b>Total</b>	<b>39.01</b>	<b>16.77</b>	<b>35.25</b>



## HISAR SPINNING MILLS LIMITED

### 15. Equity Share capital

Particulars	₹ in Lakhs					
	As at 31.03.2018		As at 31.03.2017		As at 01.04.2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<b>Authorised</b>						
Equity shares of ₹ 10/- each	8000000	800.00	8000000	800.00	8000000	800.00
<b>Total</b>		<u>800.00</u>		<u>800.00</u>		<u>800.00</u>
<b>Issued</b>						
Equity shares of ₹ 10/- each	3735000	373.50	3735000	373.50	3735000	373.50
<b>Total</b>		<u>373.50</u>		<u>373.50</u>		<u>373.50</u>
<b>Subscribed and fully paid</b>						
Equity shares of ₹ 10/- each	3735000	373.50	3735000	373.50	3735000	373.50
<b>Total</b>		<u>373.50</u>		<u>373.50</u>		<u>373.50</u>

Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the period;

#### Equity shares of ₹ 10/- each:

Particulars	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Number of shares and amount at the beginning of the period	3735000	373.50	3735000	373.50	3735000	373.50
Change in number of shares and amount during the period	0	0.00	0	0.00	0	0.00
Number of shares and amount at the end of the period	3735000	373.50	3735000	373.50	3735000	373.50

The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;

**Equity shares:** The company has one class of equity share having par value of ₹ 10/- per share. Every member holding equity shares and entitled to vote and present in person or by proxy shall have voting rights which shall be in the same proportion as the capital paid on the equity share or shares (whether fully paid up or partly paid up) held by him bears to the total paid up equity capital of the company.

#### Shares in the company held by each shareholder holding more than 5 percent shares:

Name of the shareholder	Number of shares	% held	Number of shares	% held	Number of shares	% held
Equity shares of ₹ 10/- each:	-	-	-	-	-	-



Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>16. Other Equity</b>			
<b>(a) Equity component of redeemable preference shares</b>			
Balance at the beginning of the year	43.05	43.05	43.05
Addition during the year	0.00	0.00	
Balance at the end of the year	<b>43.05</b>	<b>43.05</b>	<b>43.05</b>
<b>(b) Retained earnings</b>			
Balance at the beginning of the year	180.06	163.42	163.42
Add: Profit for the year	141.10	16.64	
Balance at the end of the year	<b>321.16</b>	<b>180.06</b>	<b>163.42</b>
<b>(c) Remeasurement of defined benefit plans</b>			
Balance at the beginning of the year	-0.11	0.00	0.00
Addition during the year	0.19	-0.11	
Balance at the end of the year	<b>0.08</b>	<b>-0.11</b>	<b>0.00</b>
<b>Total</b>	<b>364.29</b>	<b>223.00</b>	<b>206.47</b>

**Nature and purpose of other reserves/ other equity**

**Equity Component of Redeemable Preference Shares**

Refer to note no. 17

**Remeasurement of defined benefit plans**

Remeasurement of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:

- (a) actuarial gains and losses;
- (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

## HISAR SPINNING MILLS LIMITED



Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>17. Borrowings (non-current)</b>			
Secured (*)			
Term loans from financial institution	192.02	299.65	454.96
Other long-term borrowings from banks	0.00	0.00	0.48
Unsecured			
Liability component of redeemable preference shares	29.04	25.24	21.96
<b>Total</b>	<b>221.06</b>	<b>325.09</b>	<b>477.40</b>

**(\*) Nature of security and guarantee by directors or others:**

**Term loans from financial institution:**

Term loans from financial institution i.e., Small Industries Development Bank of India (SIDBI) are secured by:

**A. Primary Security:**

(i) first charge by way of hypothecation in favour of SIDBI of the plant, machinery, equipment, tools, spares, accessories and all other assets which have been or proposed to be acquired under the projects/ schemes.

**B. Collateral Security:**

(i) Extension of first charge by way of hypothecation in favour of SIDBI of all the borrower's movables, including the movables, plant, machinery, machinery spares, tools and accessories, office equipments, computers, furnitures and fixtures, located at 9th KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar, Haryana and acquired after 01.04.2011.

(ii) Extension of first pari passu charge with Punjab National Bank by way of mortgage of all immovable properties of the company, both present and future situated at 9th KM Stone, Hisar Bhiwani Road, VPO Dabra, Hisar, Haryana admeasuring 34 kanals and 14 marlas including factory shed, building and structure thereon.

Term loans from financial institution i.e., Small Industries Development Bank of India (SIDBI) with sanctioned amount of ₹ 800.00 Lakhs are further covered by irrevocable and unconditional personal guarantee of the director of the company namely Sh. Anurag Gupta and former directors of the company namely Sh. Gopal Krishan Gupta and Sh. Triloki Nath Goel. Out of these term loans of ₹ 800.00 Lakhs from SIDBI, term loan with sanctioned amount of ₹ 310.00 Lakhs is also covered by irrevocable and unconditional personal guarantee of former director of the company namely Sh. M.L. Kansal and term loan with sanctioned amount of ₹ 490.00 Lakhs is covered by irrevocable and unconditional personal guarantee of Smt. Sapna Kansal, director of the company.

**Other long-term borrowings from banks:**

Other long-term borrowings from banks are secured by hypothecation (marked with Registering Authority, Motor Vehicles) of vehicles acquired out of proceeds of the said borrowings from banks.

**Terms of repayment:**

**Term loans from financial institution:**

(i) Term loan with sanctioned and disbursed amount of ₹ 293.00 Lakhs is repayable in 66 monthly installments commencing 18 months after the date of first disbursement i.e., 02.08.2011. The first 18 installments of ₹ 3.00 Lakhs each, next 18 installments of ₹ 4.00 Lakhs each, next 18 installments of ₹ 5.10 Lakhs each, next 11 instalments of ₹ 6.25 Lakhs each and the last final installment of ₹ 6.45 Lakhs. Rate of interest @ 11.50% p.a. as at 31.03.2016; @ 11.75% p.a. as at 31.03.2017 and @ 11.95% p.a. as at 01.04.2016)@.



(i) Term loan with sanctioned and disbursed amount of ₹ 17.00 Lakhs is repayable in 66 monthly installments commencing 18 months after the date of first disbursement i.e., 02.08.2011. The first 18 installments of ₹ 0.15 Lakh each, next 18 installments of ₹ 0.25 Lakh each, next 18 installments of ₹ 0.30 Lakh each, next 11 installments of ₹ 0.35 Lakh each and the last final installment of ₹ 0.55 Lakh. Rate of interest @ 11.50% p.a. as at 31.03.2018; @ 11.75% p.a. as at 31.03.2017 and @ 11.95% p.a. as at 01.04.2016) #.

(ii) Term loan with sanctioned amount of ₹ 490.00 Lakhs (disbursed only ₹ 431.23 Lakhs) is repayable in 72 monthly installments as per original sanctioned amount comprising of first 71 monthly installments of ₹ 6.81 Lakhs each and last installment of ₹ 6.49 Lakhs commencing after a moratorium of 12 months from the date of first disbursement of the loan during May 2015. As the avallment in the term loan account is ₹ 431.23 Lakhs only, the said term loan is repayable in first 63 monthly installments of ₹ 6.81 Lakhs each and last installment of ₹ 2.20 Lakhs with effect from May 2016. Rate of interest @ 10.25% p.a. as at 31.03.2018; @ 10.50% p.a. as at 31.03.2017 and @ 10.70% p.a. as at 01.04.2016) #.

	₹ in Lakhs		
Yearwise repayment schedule (**)	2016-2017	2017-2018	2018-2019
Term loans from financial institution	139.71	156.12	108.52
	2019-2020	2020-2021	2021-2022
	81.72	81.72	29.44

# Rate of interest is without considering interest subsidy under TUF scheme

#### Other long-term borrowings from banks:

(i) Other long-term borrowing from ICICI Bank Limited amounting to ₹ 15.00 Lakhs is repayable in 36 equated monthly installments (EMIs) of ₹ 0.49 Lakh (including interest) starting from 1st May 2014. Last installment due on 1st April 2017. Rate of interest @ 10.26% p.a. as at 31.03.2017 and @ 10.26% p.a. as at 01.04.2016).

(ii) Other long-term borrowing from HDFC Bank Limited amounting to ₹ 8.00 Lakhs is repayable in 36 equated monthly installments (EMIs) of ₹ 0.26 Lakh (including interest) starting from 5th August 2013. Last installment due on 5th July 2016. Rate of interest @ 9.81% p.a. as at 01.04.2016). The said long-term borrowing from HDFC Bank Limited has been fully squared off during the financial year 2016-17.

	₹ in Lakhs	
Yearwise repayment schedule (**)	2016-2017	2017-2018
Other long term borrowings from banks	6.47	0.48

(\*\*) Figures of yearwise repayment schedule stated in above paragraphs includes current maturities of long term debts shown separately in Note 22.

#### Liability component of redeemable preference shares:

Under previous GAAP, 5% redeemable non-cumulative preference shares of ₹ 65.00 Lakhs were classified as part of total equity. However, under Ind AS the non-cumulative redeemable preference shares are compound financial instruments, where the liability component outstanding at the date of transition is bifurcated by first valuing the debt component with the residual being equity. The liability component is determined as the present value of the eventual redemption amount of ₹ 65.00 lakhs of preference shares, discounted at the rate at which the Company could issue a similar instrument with a similar credit standing but without the feature of discretionary dividends during its life. The net effect of this change is a decrease in total equity by ₹ 25.24 Lakhs as at 31st March 2017 and ₹ 21.95 Lakhs as at 1st April 2016 with corresponding increase in financial liabilities as at 31st March 2017 by ₹ 25.24 Lakhs and ₹ 21.95 Lakhs as at 1st April 2016.





Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>18. Other financial liabilities (non-current)</b>			
Financial liabilities at amortised cost			
Other interest accrued but not due	83.47	93.51	70.73
<b>Total</b>	<b>83.47</b>	<b>93.51</b>	<b>70.73</b>
<b>19. Other non-current liabilities</b>			
Deferred revenue from Government grant	156.18	180.70	183.57
<b>Total</b>	<b>156.18</b>	<b>180.70</b>	<b>183.57</b>
<b>20. Borrowings (current)</b>			
<b>Secured (***)</b>			
Loans repayable on demand from banks			
Working capital borrowings	29.62	69.76	0.00
<b>Total</b>	<b>29.62</b>	<b>69.76</b>	<b>0.00</b>

**(\*\*\*) Nature of security and guarantee by directors or others:**

Loans repayable on demand from banks (working capital borrowings) having sanctioned amount of ₹ 200.00 Lakhs is secured by hypothecation of stocks of various raw materials viz manufacturing material, raw materials including excisable raw materials, stocks in process, semi finished goods, finished goods (including bought out finished goods) and hypothecation of entire receivables/ book debts.

The said facility from Punjab National Bank is further secured by first charge on machinery of the company installed up to 31.03.2011 and first charge ranking pari-passu with Small Industries Development Bank of India (SIDBI) by way of equitable mortgage of all the immovable properties i.e., land and building constructed thereon of the company situated at VPO Dabra, Distt. Hissar, admeasuring about 34 kanal and 14 marlas owned by the company.

Loans repayable on demand from banks (working capital borrowings) is also covered by personal guarantee of the directors of the company namely Sh. Anurag Gupta and Smt. Sapna Kansal and former directors of the company namely Sh. Gopal Krishan Gupta and Sh. Triloki Nath Goel.

<b>21. Trade payables</b>			
Micro, small and medium enterprises (*)			
Others	38.00	39.61	41.28
<b>Total</b>	<b>38.00</b>	<b>39.61</b>	<b>41.28</b>

(\*) The Company has not received any intimation from its suppliers being registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSME). Hence the necessary disclosure required under MSME Act, 2006 can not be made. However, the company generally makes payment to its suppliers within agreed credit period and thus the management is confident that the liability of interest under this Act, if any, would not be material.



Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>22. Other financial liabilities (current)</b>			
Financial liabilities at amortised cost			
Current maturities of long-term debt	108.52	156.60	146.19
Interest accrued but not due on borrowings	1.88	2.98	4.00
Other interest accrued	33.38	0.00	0.00
Creditors against capital goods	0.16	0.32	30.76
Employees liabilities	14.51	10.11	4.11
Accrued expenses	36.73	38.41	36.61
<b>Total</b>	<b>195.18</b>	<b>208.42</b>	<b>221.67</b>
<b>23. Other current liabilities</b>			
Advances from customers	26.14	9.25	0.00
Statutory remittances	2.55	4.71	6.95
Other liabilities	0.00	0.10	2.27
Deferred revenue from Government grant	22.57	0.05	0.05
<b>Total</b>	<b>51.26</b>	<b>14.12</b>	<b>9.27</b>
<b>24. Provisions</b>			
Provision for employee benefits	0.49	0.51	0.47
<b>Total</b>	<b>0.49</b>	<b>0.51</b>	<b>0.47</b>
<b>25. Current Tax Liabilities (net)</b>			
Provision for current income tax (net of prepaid taxes)	0.00	7.58	1.90
<b>Total</b>	<b>0.00</b>	<b>7.58</b>	<b>1.90</b>



Particulars	₹ in Lakhs	
	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>25. Revenue From Operations</b>		
<b>Sale of products</b>		
Manufactured goods	2851.21	2653.46
	<b>2851.21</b>	<b>2653.46</b>
<b>Other operating revenues</b>		
Sale of waste	20.30	21.04
Sale of scrap	0.14	0.00
Export benefits	0.00	4.48
Deferred Government grant relating to EPCG Scheme	1.94	8.28
	<b>22.38</b>	<b>31.80</b>
<b>Total</b>	<b>2873.59</b>	<b>2685.26</b>
<b>27. Other income</b>		
Interest income		
- on bank deposits (at amortised cost)	12.18	8.98
- on other financial assets (at amortised cost)	1.39	1.85
Fair value gain on financial instruments at FVTPL (*)	0.00	3.34
Net gain on foreign currency transactions and translation	2.14	0.41
Deferred Government grant relating to property, plant and equipment	0.05	0.05
<b>Total</b>	<b>15.76</b>	<b>12.63</b>
(*) Fair value gain on financial instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting.		
<b>28. Cost of materials consumed</b>		
<b>Cost of raw materials consumed</b>		
Opening stock of raw materials	269.41	157.31
Add: purchases of raw materials	1714.95	1857.53
	<b>1984.36</b>	<b>1814.84</b>
<b>Less :</b>		
Sales of raw materials	7.98	8.92
Closing stock of raw materials	278.34	269.41
<b>Cost of materials consumed - Total</b>	<b>1698.04</b>	<b>1536.51</b>



Particulars	₹ in Lakhs	
	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>29. Changes in inventories of finished goods and work-in-progress</b>		
<b>Closing inventories</b>		
Finished goods	107.80	106.23
Saleable waste	2.54	2.70
Work-in-progress	85.76	49.15
	<b>196.10</b>	<b>158.08</b>
<b>Opening inventories</b>		
Finished goods	106.23	103.46
Saleable waste	2.70	0.78
Work-in-progress	49.15	55.96
	<b>158.08</b>	<b>160.20</b>
(-) Increase/ decrease in inventories of finished goods and work-in-progress		
Finished goods	-1.57	-2.77
Saleable waste	0.16	-1.92
Work-in-progress	-36.61	6.81
<b>Changes in inventories of finished goods and work-in-progress - total</b>	<b>-38.02</b>	<b>2.12</b>
 <b>30. Employee benefits expense</b>		
Salaries, wages and bonus	128.60	72.46
Contribution to provident and other funds	9.00	5.75
Gratuity expense	3.53	2.10
Staff welfare expenses	0.31	0.17
<b>Total</b>	<b>141.44</b>	<b>80.56</b>
 <b>31. Finance costs</b>		
Interest expenses #	60.44	72.70
Interest paid on shortfall in payment of advance income tax	0.32	0.25
Other borrowing costs	0.69	0.90
<b>Total</b>	<b>61.45</b>	<b>73.85</b>
# Net of interest subsidies under TUF (Technology Upgradation Fund) Scheme amounting to ₹ 7.60 Lakhs (previous year ₹ 12.75 Lakhs).		
 <b>32. Depreciation expense</b>		
Depreciation on property, plant and equipment (refer note 3)	187.77	271.97
<b>Total</b>	<b>187.77</b>	<b>271.97</b>



Particulars	₹ in Lakhs	
	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>33. Other expenses</b>		
Consumption of stores and spare parts	87.38	83.21
Packing material consumed	26.75	28.56
Diesel consumed	75.57	41.74
Power expenses	399.30	414.99
Contract labour charges and expenses	14.13	16.22
Repair and maintenance		
- Machinery	11.34	9.61
- Buildings	0.00	0.56
Insurance charges	3.64	3.79
Fees and subscription	5.14	4.89
<u>Auditors remuneration</u>		
- Audit fees	1.35	1.15
- Tax audit fees	0.22	0.23
- Certification fees	0.60	0.35
- Audit expenses	0.05	0.00
Legal and professional charges	0.79	1.07
Fair value loss on financial instruments at FVTPL	2.11	0.00
Net loss on foreign currency transactions and translation	0.00	0.26
Freight and cartage outward	4.67	11.95
Clearing and forwarding charges (export)	1.28	4.27
Miscellaneous expenses	18.76	16.65
<b>Total</b>	<b>653.08</b>	<b>639.50</b>
<b>34. Exceptional Items</b>		
Profit/ (-) loss on disposal of property, plant and equipment	0.00	1.42
Power line expenses	0.00	-36.02
<b>Total</b>	<b>0.00</b>	<b>-34.60</b>



# **HISAR SPINNING MILLS LIMITED**

## **35. A. Movement in deferred tax balances**

₹ in Lakhs

Particulars	As at 31.03.2017	Reconized in P&L	Reconized in OCI	As at 31.03.2018
<b>Deferred tax assets</b>				
Property, plant and equipment	37.58	20.36	0.00	57.94
Government grant	54.23	16.52	0.00	70.75
<b>Total deferred tax assets (a)</b>	<b>91.81</b>	<b>36.88</b>	<b>0.00</b>	<b>128.69</b>
<b>Deferred tax liabilities</b>				
Unwinding of upfront fees	0.40	-0.16	0.00	0.24
Deferred expenditure	0.07	-0.01	0.00	0.06
Derivative financial instruments carried at FVTPL	0.54	-0.54	0.00	0.00
<b>Total deferred tax liabilities (b)</b>	<b>1.01</b>	<b>-0.71</b>	<b>0.00</b>	<b>0.30</b>
<b>Deferred tax assets (net) (a-b)</b>	<b>90.80</b>	<b>37.59</b>	<b>0.00</b>	<b>128.39</b>

₹ in Lakhs

Particulars	As at 01.04.2016	Reconized in P&L	Reconized in OCI	As at 31.03.2017
<b>Deferred tax assets</b>				
Property, plant and equipment	21.96	15.62	0.00	37.58
Government grant	49.25	4.98	0.00	54.23
Derivative financial instruments carried at FVTPL	0.38	-0.38	0.00	0.00
<b>Total deferred tax assets (a)</b>	<b>71.59</b>	<b>20.22</b>	<b>0.00</b>	<b>91.81</b>
<b>Deferred tax liabilities</b>				
Unwinding of upfront fees	0.79	-0.39	0.00	0.40
Deferred expenditure	0.10	-0.03	0.00	0.07
Derivative financial instruments carried at FVTPL	0.00	0.54	0.00	0.54
<b>Total deferred tax liabilities (b)</b>	<b>0.89</b>	<b>0.12</b>	<b>0.00</b>	<b>1.01</b>
<b>Deferred tax assets (net) (a-b)</b>	<b>70.70</b>	<b>20.10</b>	<b>0.00</b>	<b>90.80</b>

## **B. Amounts recognized in profit or loss**

₹ in Lakhs

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>Current tax expenses</b>		
Current year	82.08	62.24
	<b>82.08</b>	<b>62.24</b>
<b>Deferred tax expenses</b>		
Origination and reversal of temporary differences	-37.59	-20.10
	<b>-37.59</b>	<b>-20.10</b>
<b>Total Tax Expenses</b>	<b>44.49</b>	<b>42.14</b>



# **HISAR SPINNING MILLS LIMITED**

## **C. Amounts recognized in Other Comprehensive Income**

**₹ in Lakhs**

Particulars	For the year ended 31.03.2018			For the year ended 31.03.2017		
	Before tax	Tax (Expenses)/ Income	Net of tax	Before tax	Tax (Expenses)/ Income	Net of tax
Remeasurement of defined benefit	0.26	-0.07	0.19	-0.16	0.05	-0.11
	<b>0.26</b>	<b>-0.07</b>	<b>0.19</b>	<b>-0.16</b>	<b>0.05</b>	<b>-0.11</b>

## **D. Reconciliation of effective tax rate**

**₹ in Lakhs**

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Profit before tax	185.59	58.78
Company's domestic tax rate	27.5525%	33.063%
Tax using the company's domestic tax rate	51.13	19.43
Tax effect of		
Depreciation difference	-3.19	9.13
Deferred Government grant relating to EPCG Scheme	-4.48	11.68
Others	1.03	1.90
Income tax expenses reported in the statement of profit and loss	<b>44.49</b>	<b>42.14</b>

[Effective tax rate 31.03.2018 @ 23.9722%, 31.03.2017 @ 71.6911%]





Particulars	₹ in Lakhs	
	For the year ended 31.03.2018	For the year ended 31.03.2017
<b>36. Earnings per equity share (EPS)</b>		
The calculation of Earning Per Share (EPS) as disclosed in the statement of profit and loss has been made in accordance with Indian Accounting Standard (Ind AS) - 33 on "Earning Per Share"		
A statement on calculation of EPS is as under:		
Profit for the period attributable to equity shareholders	141.10	16.64
<b>Total (a)</b>	<b>141.10</b>	<b>16.64</b>
Weighted average number of equity shares outstanding during the year (nos.)	3735000	3735000
(Nominal value of equity share - ₹ 10/- each)		
<b>Total (b)</b>	<b>3735000</b>	<b>3735000</b>
Basic EPS (₹) (a/b)	3.78	0.45
Diluted EPS (₹) (a/b)	3.78	0.45
Note: There are no potential equity shares		

Particulars	₹ in Lakhs		
	As at 31.03.2018	As at 31.03.2017	As at 01.04.2016
<b>37. Contingent liabilities and Commitments (to the extent not provided for):-</b>			
<b>(a) Contingent liabilities:</b>			
(i) Counter guarantees issued to Punjab National Bank in respect of the guarantees issued by the said bank in favour of various government authorities.	38.00	38.00	37.10
(ii) Disputed demand in respect of Value Added Tax and Central Sales Tax	4.85	4.85	3.98
<b>Total</b>	<b>42.85</b>	<b>42.85</b>	<b>41.08</b>
<b>(b) Commitments:</b>			
(i) Performance bonds executed in favour of The President of India against exports obligations for purchase of capital goods under Export Promotion Capital Goods (EPCG) scheme	620.95	620.95	614.95
(ii) Estimated amount of unexecuted capital contracts (net of advances)	0.00	4.18	7.97
<b>Total</b>	<b>620.95</b>	<b>625.13</b>	<b>622.92</b>

38. There is no impairment of assets during the year.

39. No amount of dividend has been proposed to be distributed to equity and preference shareholders for the period.



#### 40. Financial instruments - accounting classifications and fair value measurements

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sales.

The following methods and assumptions were used to estimate the fair values:

1. Fair value of cash and cash equivalents, bank balances other than cash and cash equivalents, security deposits, interest accrued but not due on borrowings, trade and other short-term receivables, payables, loans and advances and other current liabilities approximated their carrying amounts largely due to the short-term maturities of these instruments.
2. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. Fair value is generally determined using discounted cash flow analysis.

#### A. Accounting classifications and fair values

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

As at 31 March 2018

Financial instruments by category	Carrying Value	₹ in Lakhs		
		Level 1	Level 2	Level 3
<b>Financial assets at FVTPL</b>				
Derivative financial instruments	-	-	-	-
<b>Financial assets at amortised costs</b>				
Security Deposits	21.32		21.32	
Fixed Deposits (including interest accrued thereon)	38.16		38.16	
<b>Financial assets where fair value is same as carrying value</b>				
Trade receivables	186.81		186.81	
Cash and cash equivalents	66.21		66.21	
Bank balances other than cash and cash equivalents	52.97		52.97	
Claim receivables	2.64		2.64	
Others	2.84		2.84	
	<b>370.95</b>	<b>0.00</b>	<b>370.95</b>	<b>0.00</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Borrowings - term loans from financial institutions	300.54		300.54	
Liability component of redeemable preference shares	29.04			29.04
<b>Financial liabilities where fair value is same as carrying value</b>				
Trade payables	38.00		38.00	
Borrowings (current)	29.62		29.62	
Interest accrued but not due on borrowings	1.88		1.88	
Other interest accrued but not due	116.85		116.85	
Creditors against capital goods	0.10		0.10	
Employees liabilities	14.51		14.51	
Accrued expenses	36.73		36.73	
	<b>567.33</b>	<b>0.00</b>	<b>538.29</b>	<b>29.04</b>



## HISAR SPINNING MILLS LIMITED

### Financial assets recorded as

Non-current	59.48
Current	311.47
	<u>370.95</u>

### Financial liabilities recorded as

Non-current	304.53
Current	262.80
	<u>567.33</u>

As at 31 March 2017

₹ in Lakhs

Financial instruments by category	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3

### Financial assets at FVTPL

Derivative financial instruments	2.11		2.11	
----------------------------------	------	--	------	--

### Financial assets at Amortised Cost

Security Deposits	21.55		21.55	
Fixed Deposits (including interest accrued thereon)	36.21		36.21	

### Financial assets where fair value is same as carrying value

Trade receivables	151.42		151.42	
Interest receivable	2.12		2.12	
Cash and cash equivalents	76.58		76.58	
Other bank balances	50.00		50.00	
	<u>339.97</u>	<u>0.00</u>	<u>339.97</u>	<u>0.00</u>

### Financial liabilities

#### Financial liabilities at amortised cost

Borrowings - term loans from financial institutions	456.45		456.45	
Liability component of redeemable preference shares	25.24			25.24

### Financial liabilities where fair value is same as carrying value

Trade payables	39.61		39.61	
Borrowings (current)	69.76		69.76	
Interest accrued but not due on borrowings	2.98		2.98	
Other interest accrued but not due	93.51		93.51	
Creditors against capital goods	0.32		0.32	
Employees liabilities	10.11		10.11	
Accrued expenses	38.41		38.41	
	<u>736.39</u>	<u>0.00</u>	<u>711.15</u>	<u>25.24</u>

### Financial assets recorded as

Non-current	57.76
Current	282.21
	<u>339.97</u>

### Financial liabilities recorded as

Non-current	416.60
Current	317.79
	<u>736.39</u>

## HISAR SPINNING MILLS LIMITED



As at 01 April 2016

₹ in Lakhs

Financial instruments by category	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
<b>Financial assets at FVTPL</b>				
Derivative financial instruments	-		-	
<b>Financial assets at Amortised Cost</b>				
Security Deposits	21.58		21.58	
Fixed Deposits (including interest accrued thereon)	33.38		33.38	
<b>Financial assets where fair value is same as carrying value</b>				
Trade receivables	138.55		138.55	
Interest receivable	1.65		1.65	
Cash and cash equivalents	65.35		65.35	
	<b>258.51</b>	<b>0.00</b>	<b>258.51</b>	<b>0.00</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Borrowings - term loans from financial institutions	601.15		601.15	
Other long-term borrowings from banks	0.48		0.48	
Liability component of redeemable preference shares	21.96			21.96
<b>Financial liabilities where fair value is same as carrying value</b>				
Trade payables	41.28		41.28	
Borrowings (current)	0.00		0.00	
Interest accrued but not due on borrowings	4.00		4.00	
Other interest accrued but not due	70.73		70.73	
Creditors against capital goods	30.76		30.76	
Employees liabilities	4.11		4.11	
Accrued expenses	36.61		36.61	
	<b>811.08</b>	<b>0.00</b>	<b>789.12</b>	<b>21.96</b>
<b>Financial assets recorded as</b>				
Non-current	54.96			
Current	203.55			
	<b>258.51</b>			
<b>Financial liabilities recorded as</b>				
Non-current	548.13			
Current	262.95			
	<b>811.08</b>			

### B. Measurement of fair values

Assets and liabilities are to be measured based on the following valuation techniques:

**Market approach** – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

**Income approach** – Converting the future amounts based on market expectations to its present value using the discounting methodology.

**Cost approach** – Replacement cost method.

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.



Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments which are traded in stock exchanges and valued using closing price at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on the conditions existing at the end of each reporting period.

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the balance sheet, as well as the significant unobservable inputs used. Related valuation processes are described in note 2 (O).

#### Financial instruments measured at fair value

Valuation technique	Type	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments consist of foreign currency forward exchange contracts. Fair values for derivative financial instruments are based on bank's quotations and are classified as Level 2	Forward Exchange Contracts	Not Applicable	Not Applicable
Amount estimated based on the estimated probability of the outcome of litigation based on the management's assessment supported by legal advice.	Claims and Other Recoverable	Not Applicable	Not Applicable

There have been no transfers between level 1, 2 and 3 during the current or previous financial year.

#### Reconciliation of level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	31.03.2018	₹ in Lakhs 31.03.2017
Balance as at 1 April	0.00	0.00
Fair value adjusted during the year	0.00	0.00
Additions during the year	0.00	0.00
Balance as at 31 March	<u>0.00</u>	<u>0.00</u>

#### Financial risk management

- credit risk [see point no. (i) below]
- liquidity risk - [see point no. (iii) below]; and
- market risk - [see point no. (iv) below]



## HISAR SPINNING MILLS LIMITED

### i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's risk committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amounts of financial assets represent the maximum credit risk exposure.

#### Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes market check, industry feedback, past financials and external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding these limits require approval from the risk management committee.

More than 40% of the Company's customers have been transacting with the Company for over four years, and no significant impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are reviewed according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry and existence of previous financial difficulties.

The Company establishes an allowance for impairment that represents its expected credit losses in respect of trade and other receivables. The management uses a simplified approach for the purpose of computation of expected credit loss for trade receivables.

The carrying amount net of loss allowances of trade receivables is 31 March 2018 Rs. 186.81 Lakhs, (31 March 2017 Rs. 151.42 Lakhs, 1 April 2016 Rs. 136.55 Lakhs).

A summary of the Company's exposure to credit risk for trade receivables based on the ageing is as follows:

Particulars	₹ in Lakhs			Total
	Less than 6 Months	6-12 Months	More than 12 Months	
As at 31.03.2018	186.81	0.00	0.00	186.81
As at 31.03.2017	151.42	0.00	0.00	151.42
As at 01.04.2016	136.55	0.00	0.00	136.55

During the period, the Company has made no write-offs of trade receivables, it does not expect to receive future cash flows or recoveries from collection of cash flows previously written off.

#### Reconciliation of loss allowance provision – Trade receivables

Particulars	₹ in Lakhs		
	31.03.2018	31.03.2017	01.04.2016
Opening Balance	0.00	0.00	0.00
Change in loss allowance	0.00	0.00	0.00
Closing balance	0.00	0.00	0.00



### iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments:

₹ in Lakhs			
As at 31 March 2018	Less than 1 year	1-5 Year	Total
Borrowings			
Term loans from financial institution including interest	110.40	192.02	302.42
Liability component of redeemable preference shares	0.00	29.04	29.04
Short-term borrowings from banks	29.62	0.00	29.62
Trade payables	38.00	0.00	38.00
Other interest accrued but not due	33.38	83.47	116.85
Creditors against capital goods	0.16	0.00	0.16
Employees liabilities	14.51	0.00	14.51
Accrued expenses	36.73	0.00	36.73
Total	<u>262.80</u>	<u>304.53</u>	<u>567.33</u>

₹ in Lakhs			
As at 31 March 2017	Less than 1 year	1-5 Year	Total
Borrowings			
Term loans from financial institution including interest	159.58	299.85	459.43
Liability component of redeemable preference shares	0.00	25.24	25.24
Short-term borrowings from banks	89.76	0.00	89.76
Trade payables	39.61	0.00	39.61
Other interest accrued but not due	0.00	93.51	93.51
Creditors against capital goods	0.32	0.00	0.32
Employees liabilities	10.11	0.00	10.11
Accrued expenses	38.41	0.00	38.41
Total	<u>317.79</u>	<u>418.60</u>	<u>736.39</u>

₹ in Lakhs			
As at 1 April 2016	Less than 1 year	1-5 Year	Total
Borrowings			
Term loans from financial institution including interest	150.19	454.98	605.15
Liability component of redeemable preference shares	0.00	21.96	21.96
Other long-term borrowings from banks	0.00	0.48	0.48
Short-term borrowings from banks	0.00	70.73	70.73
Trade payables	41.28	0.00	41.28
Other interest accrued but not due	0.00	0.00	0.00
Creditors against capital goods	30.76	0.00	30.76
Employees liabilities	4.11	0.00	4.11
Accrued expenses	36.61	0.00	36.61
Total	<u>262.95</u>	<u>548.13</u>	<u>811.08</u>

The interest payments on variable interest rate loans in the table above reflect spot interest rates at the reporting date and these amounts may change as market interest rates change. However, the Company doesn't expect significant different amount on account of change in market interest rate changes.





#### Capital Management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt, consistent with others in the industry. The Company monitors capital using a gearing ratio, which is calculated as:

Net debt (total borrowings net of cash and cash equivalents) divided by "Total equity" (as shown in the Balance Sheet).

The gearing ratios were as follows:

	₹ in Lakhs		
Particulars	31.03.2018	31.03.2017	01.04.2016
Net Debt	775.25	939.30	1006.29
Less: Cash and cash equivalents	86.21	76.58	65.35
Adjusted net debt	709.05	862.74	940.94
Total equity	737.79	566.50	579.97
Adjusted net debt to equity ratio	0.96	1.45	1.62

#### iv. Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated. The currencies in which these transactions are primarily denominated are US dollars and Euro. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

##### Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk (based on notional amounts) as reported to the management is as follows:

As at 31 March 2018	Currency	Amount in foreign currency (in Lakhs)	Exchange rate (in absolute Rs.)	Unhedge amount Rs. in Lakhs
Trade receivables	NA	0.00	0.00	0.00
Advance from customers	NA	0.00	0.00	0.00
Trade payables	NA	0.00	0.00	0.00
Advance to suppliers	NA	0.00	0.00	0.00
Net exposure in respect of recognised assets and liabilities		0.00	0.00	0.00



As at 31 March 2017	Currency	Amount in foreign currency (in Lakhs)	Exchange rate (in absolute Rs.)	Unhedge amount Rs. in Lakhs
Trade receivables	EUR	0.613	68.57	42.03
Advance from customers	NA	0.00	0.00	0.00
Trade payables	NA	0.00	0.00	0.00
Advance to suppliers	NA	0.00	0.00	0.00
Net exposure in respect of recognised assets and liabilities		<b>0.613</b>	<b>0.00</b>	<b>42.03</b>

As at 1 April 2016	Currency	Amount in foreign currency (in Lakhs)	Exchange rate (in absolute Rs.)	Unhedge amount Rs. in Lakhs
Trade receivables	EUR	0.41	74.24	30.29
Advance from customers	NA	0.00	0.00	0.00
Trade payables	NA	0.00	0.00	0.00
Advance to suppliers	EUR	0.10	74.24	7.72
Net exposure in respect of recognised assets and liabilities		<b>0.51</b>		<b>38.01</b>

#### Sensitivity analysis

A reasonably possible strengthening (weakening) of the INR, Euro against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

Currency	Movement in foreign Currency	31.03.2018		31.03.2017	
		Increase in profit	Decrease in profit	Increase in profit	Decrease in profit
Euro	5% movement	0.00	0.00	2.10	-2.10

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates. The Company's exposure to the risk due to changes in interest rates relates primarily to the Company's short-term and long-term borrowings with floating interest rates. The Company constantly monitors the credit markets and revisits its financing strategies to achieve an optimal maturity profile and financing cost.

The Company is not exposed to significant interest rate risk as at the respective reporting dates.

Interest Rate Exposure:			₹ in Lakhs
Particulars	31.03.2018	31.03.2017	01.04.2016
Floating Rate Borrowings	332.04	529.19	605.63
Fixed Rate Borrowings	29.04	25.24	21.96
<b>Total Borrowings</b>	<b>361.08</b>	<b>554.43</b>	<b>627.59</b>
Interest rate sensitivities for floating rate borrowings (Impact of increase in 1%):			₹ in Lakhs
Particulars	31.03.2018	31.03.2017	01.04.2016
Floating Rate Borrowings	-3.32	-5.29	-5.06
	<b>-3.32</b>	<b>-5.29</b>	<b>-6.06</b>

Note: If the rate is decreased by 1% profit will increase by an equal amount.

Interest rate sensitivity has been calculated assuming the borrowings outstanding at the reporting date have been outstanding for the entire reporting period.

**41. Employee benefits****A. Defined Contribution Schemes**

The Company deposits an amount determined at a fixed percentage of basic pay every month to the State administered Provident Fund, Employee State Insurance (ESI) and Labour Welfare fund for the benefit of the employees.

Amount recognised in the Statement of Profit & Loss is as follows :

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Provident fund paid to the authorities	6.32	3.92
Employee state insurance paid to the authorities	2.54	1.74
Contribution to other funds ( Labour welfare fund )	0.14	0.09
<b>Total</b>	<b>9.00</b>	<b>5.75</b>

**B. Defined Benefit Schemes****Gratuity**

The Company operates a gratuity plan administered through Life Insurance Corporation of India (LIC) under its Group Gratuity Scheme. Every employee is entitled to a benefit equivalent to fifteen days' salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service. The Company pays contribution to Life Insurance Corporation of India to fund its plan.

The following tables set out the disclosures in respect of the gratuity plan as required under Ind AS 19.

**i. Changes in the present value of the obligations**

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Present value of the obligation at the beginning of the year	12.06	9.27
Interest cost	0.93	0.69
Current service cost	3.56	2.14
Benefits paid ( if any )	0.00	-0.28
Actuarial ( gain )/loss	-0.43	0.24
Present value of the obligation at the end of the year	16.12	12.06
- Non Current	15.76	11.83
- Current	0.36	0.23



## ii. Changes in the fair value of the planned assets

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Fair value of plan assets at the beginning of the year	9.60	8.80
Expected return on plan assets	0.74	0.66
Contributions	5.31	0.34
Benefits paid	0.00	-0.28
Actuarial gain/ (loss) on plan assets	-0.01	0.08
Fair value of plan assets at the end of the year	15.64	9.60

## iii. Amount recognized in Balance Sheet:

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Present value of the obligation at the beginning of the year	16.12	12.06
Fair value of plan assets at end of year	15.64	9.60
Net liability/(asset) recognized in Balance Sheet and related analysis	0.48	2.46
Funded Status	-0.48	-2.46

## iv. Actuarial Gain/Loss on Plan Assets

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Actual return on plan asset	0.73	0.74
Expected return on plan asset	0.74	0.66
Actuarial gain /(loss) for the year on asset	-0.01	0.08

## v. Expenses Recognized in Profit &amp; Loss:

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Interest cost	0.93	0.69
Current service cost	3.56	2.14
Past service cost	0.00	0.00
Expected return on plan asset	-0.74	-0.66
Total Expenses recognized in the statement of P & L Accounts	3.75	2.18



# **HISAR SPINNING MILLS LIMITED**

## vi. Other Comprehensive Income Recognized:

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Actuarial (gain) loss - obligation	-0.43	0.24
Actuarial (gain) loss - plan assets	0.01	-0.08
Total Actuarial (gain)/loss	-0.42	0.16

## vii. Investment Details of the Fund:

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
LIC of India	15.64	9.60

## viii. Expected contribution during the next annual reporting period

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Best estimate for contribution during the next period	4.24	3.87

## ix. Principal actuarial assumption at the Balance Sheet Date

Particulars	Year ended	
	31.03.2018	31.03.2017
Discount rate (Per Annum)	7.75%	7.50%
Salary Growth Rate (Per Annum)	7.00%	7.00%
Mortality	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate
Withdrawal rate (Per Annum)		2.00%
18-30 Years	5.00%	0.00%
30-44 Years	3.00%	0.00%
44-58 Years	2.00%	0.00%
Expected Average remaining working lives of employees (years)	22.30	23.40
Method Used	Projected Unit Credit	Projected Unit Credit

## x. The quantitative sensitivity analysis on net liability recognized on account of change in significant assumptions:

Particulars	₹ in Lakhs	
	Year ended 31.03.2018	Year ended 31.03.2017
Defined benefit obligation (base)	18.12	12.06
Discount Rate		
1.00% Increase	-1.53	-1.24
1.00% decrease	1.80	1.46
Future Salary Growth Rate		
1.00% Increase	1.79	1.45
1.00% decrease	-1.55	-1.25

**HISAR SPINNING MILLS LIMITED****42. Related parties disclosures****a. Names of related parties and nature of relationship:****i. Key Management Personnel (KMP)**

Mr. Anurag Gupta, Managing Director

Mrs. Sapna Kansal, Whole-time Director w.e.f. 14.12.2017

Mr. Naveen Kansal, Chief Executive Officer

Mr. Sharad Goel, Chief Financial Officer

Ms. Manmeet Kaur Sihota, Company Secretary w.e.f 01.09.2017

Ms. Tanu Sharma, Company Secretary resigned on 10.07.2017

**ii. Enterprises over which key management personnel or relative of such personnel is able to exercise significant influence:**

M/s Usha Yarns Limited

**b. Related party transactions****₹ in Lakhs**

Nature of transactions.	2017-2018		2016-2017	
	Key management personnel	Enterprises over which there is significant influence	Key management personnel	Enterprises over which there is significant influence
<b>Remuneration</b>				
Mr. Anurag Gupta	10.79		4.99	
Mrs. Sapna Kansal	4.48		0.00	
Mr. Sharad Goel	11.03		6.00	
Mr. Naveen Kansal	15.00		3.87	
Ms. Tanu Sharma	0.33		1.30	
Ms. Manmeet Kaur Sihota	0.76		1.30	
<b>Total</b>	<b>42.39</b>		<b>17.46</b>	
<b>Purchases of Goods (net of duties and taxes if available)</b>				
Usha Yarns Limited		12.22		2.45
<b>Total</b>		<b>12.22</b>		<b>2.45</b>

**c. Compensation of Key Management Personnel of the Company: \*****₹ in Lakhs**

Particulars	2017-2018	2016-2017
Short-term Employee Benefits	42.39	17.46
Post-Retirement Benefits	0.00	0.00
Share-Based Payments	0.00	0.00
Other Long-term Benefits	0.00	0.00
<b>Total Compensation</b>	<b>42.39</b>	<b>17.46</b>

**HISAR SPINNING MILLS LIMITED****Notes :**

- i. \* Expenses towards gratuity provisions are determined actuarially on an overall Company basis at the end of each year and, accordingly, have not been considered in the above information.
- ii Remuneration to KMP has been taken from the date from which they became KMP.

**d. Outstanding balance (Unsecured)****₹ In Lakhs**

Particulars	As at 31.03.2018	As at 31.03.2017
Usha Yarns Limited	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Terms and Conditions of Transaction with Related Parties:**

The transaction with related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. The above transactions are as per the approval of Audit Committee.





**43. First Time Adoption of Ind AS**

As stated in note 2, these are Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31st March 2018, the comparative information presented in these financial statements for the year ended 31st March 2017 and in the preparation of an opening Ind AS statement of financial position as at 1st April 2016 (the Company's date of transition). In preparing its opening Ind AS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Indian GAAP (previous GAAP).

An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**Exemptions and exceptions availed**

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

**A. Ind AS optional exemptions**

**Deemed cost**

Ind AS 101 'First-time Adoption of Indian Accounting Standards' permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition.

Accordingly, the Company has applied one time transition exemption of Ind AS 101 and has elected to consider carrying amount of all items of property, plant and equipments measured as per Indian GAAP as recognized in the financial statements as at the date of transition i.e., 1st April, 2016, as deemed cost at the date of transition and hence regarded thereafter as the historical cost. The effect of consequential changes arising on the application of other Ind AS has been adjusted to the deemed cost of Property, Plant and Equipment.

**B. Ind AS mandatory exceptions**

**i. Estimates**

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1st April 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under previous GAAP.

**ii. Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exists at the date of transition to Ind AS.

**C. Reconciliations between previous GAAP and Ind AS**

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

# HISAR SPINNING MILLS LIMITED



Reconciliation of equity		₹ in Lakhs					
Particulars	Notes to first-time adoption	As at 01.04.2016			As at 31.03.2017		
		Previous GAAP*	Adjustment	Ind AS	Previous GAAP*	Adjustment	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
(a) Property, Plant and Equipment	2	697.85	94.51	792.36	561.53	63.22	614.75
(b) Capital work-in-progress		59.04	0.00	59.04	0.00	0.00	0.00
(c) Financial Assets							
(i) Other financial assets			54.96	54.96		57.76	57.76
(d) Deferred tax assets (net)	6	22.16	48.54	70.70	37.58	53.22	90.80
(e) Other non-current assets		63.46	-54.68	8.78	63.66	-57.56	6.10
<b>Current assets</b>							
(a) Inventories		360.18	0.00	360.18	465.97	0.00	465.97
(b) Financial Assets							
(i) Trade receivables		136.55	0.00	136.55	151.42	0.00	151.42
(ii) Cash and cash equivalents		65.35	0.00	65.35	126.58	-50.00	76.58
(iii) Bank balances other than (ii) above			0.00	0.00		50.00	50.00
(iv) Other financial assets			1.65	1.65		4.23	4.23
(c) Current Tax Assets (Net)			1.44	1.44		1.44	1.44
(d) Other current assets		38.29	-3.04	35.25	22.69	-6.12	16.77
<b>Total Assets</b>		<b>1442.88</b>	<b>143.38</b>	<b>1586.26</b>	<b>1419.61</b>	<b>116.19</b>	<b>1535.80</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
(a) Equity Share capital	1	438.50	-65.00	373.50	438.50	-65.00	373.50
(b) Other Equity	8	271.85	-65.38	206.47	338.50	-115.50	223.00
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
(a) Financial Liabilities							
(i) Borrowings	4	458.00	19.40	477.40	301.40	23.69	325.09
(ii) Other financial liabilities	2		70.73	70.73		93.51	93.51
(b) Other non-current liabilities			183.57	183.57		180.70	180.70
<b>Current liabilities</b>							
(a) Financial Liabilities							
(i) Borrowings		0.00	0.00	0.00	69.76	0.00	69.76
(ii) Trade payables		41.28	0.00	41.28	38.61	0.00	38.61
(iii) Other financial liabilities			221.67	221.67	0.00	208.42	208.42
(b) Other current liabilities		230.88	-221.61	9.27	223.75	-209.63	14.12
(c) Provisions		2.37	-1.90	0.47	8.09	-7.58	0.51
(d) Current Tax Liabilities (Net)			1.90	1.90		7.58	7.58
<b>Total Equity and Liabilities</b>		<b>1442.88</b>	<b>143.38</b>	<b>1586.26</b>	<b>1419.61</b>	<b>116.19</b>	<b>1535.80</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.



## HISAR SPINNING MILLS LIMITED

### Reconciliation of total comprehensive income for the year ended 31st March 2017

₹ in Lakhs				
Particulars	Notes to first-time adoption	Previous GAAP*	Adjustment	Ind AS
<b>REVENUE</b>				
Revenue From Operations	2	2678.98	6.28	2685.26
Other income	2,3	11.83	0.80	12.63
<b>Total income</b>		<b>2690.81</b>	<b>7.08</b>	<b>2697.89</b>
<b>EXPENSES</b>				
Cost of materials consumed		1536.51	0.00	1536.51
Changes in inventories of finished		2.12	0.00	2.12
Employee benefits expense	5	80.72	-0.18	80.56
Finance costs	1,2,4	46.77	27.08	73.85
Depreciation expense	2	237.23	34.74	271.97
Other expenses	4	639.44	0.08	639.50
<b>Total Expenses</b>		<b>2542.75</b>	<b>61.72</b>	<b>2604.51</b>
<b>Profit before exceptional items and tax</b>		<b>148.02</b>	<b>-54.64</b>	<b>93.38</b>
Exceptional items		-34.60	0.00	-34.60
<b>Profit before tax</b>		<b>113.42</b>	<b>-54.64</b>	<b>58.78</b>
Less: Tax expense:				
(1) Current tax		62.19	0.05	62.24
(2) Deferred tax	5	-15.42	-4.88	-20.10
<b>Profit for the period</b>		<b>66.65</b>	<b>-59.01</b>	<b>16.64</b>
<b>Other Comprehensive income</b>				
A (i) Items that will not be reclassified to profit or loss				
(a) Remeasurement of the defined benefit plans	5	0.00	-0.16	-0.16
(ii) Income tax relating to items that will not be reclassified to profit or loss	5	0.00	0.05	0.05
<b>Total Other Comprehensive Income for the period</b>		<b>0.00</b>	<b>-0.11</b>	<b>-0.11</b>
<b>Total Comprehensive Income for the period</b>		<b>66.65</b>	<b>-59.12</b>	<b>16.53</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

### Reconciliation of total equity as at 31st March 2017 and 1st April 2016.

₹ in Lakhs			
Particulars	Notes to first-time adoption	As at 31.03.2017	As at 01.04.2016
<b>Total equity (shareholder's fund as per previous GAAP)</b>		<b>777.00</b>	<b>710.35</b>
<b>Adjustments :</b>			
Impact on account of restatement of preference shares	1	-3.29	-21.95
Impact of Govt. grant capital subsidy	2	0.05	-0.47
Impact of fair valuation of derivatives	3	0.75	-0.01
Borrowing - transaction cost adjustment	4	-1.07	2.89
Impact of Deferred Income on Govt. Grant (EPCG)	2	6.28	12.16
Impact of increase in Depreciation on Govt. Grant (EPCG)	2	-34.74	-100.81
Impact of interest cost of Govt. Grant (EPCG)	2	-22.78	-70.73
Impact of increase/decrease in deferred tax asset	5	4.68	48.54
<b>Total adjustments</b>		<b>-50.12</b>	<b>-130.38</b>
<b>Net Impact brought forward from Opening balance sheet</b>		<b>-130.38</b>	
<b>Total equity as per Ind AS</b>		<b>596.50</b>	<b>579.97</b>

## HISAR SPINNING MILLS LIMITED



### Reconciliation of total comprehensive income for the year ended 31 March 2017

Particulars	Notes to first time adoption	₹ in Lakhs
		For the year ended 31.03.2017
<b>Profit after tax under India GAAP</b>		<b>66.65</b>
<b>Adjustments :</b>		
Derivative financial instruments carried at FVTPL	3	0.75
Deferred Income on Government grants Released to the Statement of Profit and Loss	2	6.33
Interest expense (accrued but not due) on 5% Redeemable non-cumulative Preference Shares	1	-3.29
Interest expense on others	2	-22.78
Finance costs on Fixed loans using effective interest rate method	4	-1.07
Depreciation on Property, Plant and Equipment	2	-34.74
Employee Benefits Expense	5	0.16
Current Tax/ Deferred tax on above adjustments (net)	6	4.53
Total adjustment		-50.01
Profit after tax as per Ind AS		16.64
Other Comprehensive Income	5	-0.11
<b>Total Comprehensive income for the year</b>		<b>16.53</b>

### Impact of Ind AS adoption on the statements of cash flows for the year ended 31 March 2017

Particulars	Notes to first-time adoption	Previous GAAP*	Adjustment	₹ in Lakhs
				Ind AS
Net cash flow from operating activities		209.22	0.23	209.45
Net cash flow from investing activities		-24.92	-50.00	-74.92
Net cash flow from financing activities		-123.09	-0.23	-123.32
<b>Net increase/decrease in cash and cash equivalents</b>		<b>61.21</b>	<b>-50.00</b>	<b>11.21</b>
Cash and equivalents as at 1st April 2016		65.35	0.00	65.35
<b>Cash and equivalents as at 31st March 2017</b>		<b>126.56</b>	<b>-50.00</b>	<b>76.56</b>

\*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.



#### D. Notes to first-time adoption:

##### 1. Preference Shares

Under previous GAAP, 5% redeemable non-cumulative preference shares of ₹ 65.00 Lakhs were classified as part of total equity. However, under Ind AS the non-cumulative redeemable preference shares are compound financial instruments, where the liability component outstanding at the date of transition is bifurcated by first valuing the debt component with the residual being equity. The liability component is determined as the present value of the eventual redemption amount of ₹ 65.00 lakhs of preference shares, discounted at the rate at which the Company could issue a similar instrument with a similar credit standing but without the feature of discretionary dividends during its life. The net effect of this change is a decrease in total equity by ₹ 25.24 Lakhs as at 31st March 2017 and ₹ 21.95 Lakhs as at 1st April 2016 with corresponding increase in financial liabilities as at 31st March 2017 by ₹ 25.24 Lakhs and ₹ 21.95 Lakhs as at 1st April 2016; also the profit for the year ended 31st March 2017 decreased by ₹ 3.29 Lakhs as a result of the additional interest expense on liability component.

##### 2. Government Grant

- a. Under previous GAAP, the Company had adjusted the Government Grant related to Export Promotion Capital Goods (EPCG) scheme availed by the Company to the cost of fixed assets and the exports obligation was disclosed in the notes to financial statements whereas under Ind AS, the Company has recognised the Grant as a deferred revenue which is amortised to statement of profit and loss on the basis of actual exports made by the Company. The net impact on account of the same is increase in property, plant and equipment by ₹ 63.22 lakhs as at 31st March 2017 and ₹ 94.51 Lakhs as at 1st April 2016, increase in Deferred Revenue by ₹ 180.32 Lakhs as at 31st March 2017 and ₹ 183.15 Lakhs as at 1st April 2016, increase in financial liability by ₹ 93.51 Lakhs as at 31st March 2017 and ₹ 70.73 Lakhs as at 1st April 2016 and decrease in retained earnings by ₹ 210.81 Lakhs as at 31st March 2017 and ₹ 159.37 Lakhs as at 1st April 2016.

There is a consequent increase in other operating income amounting to ₹ 8.28 Lakhs, finance cost amounting to ₹ 22.78 Lakhs and depreciation amounting to ₹ 34.74 Lakhs for the year ended 31st March 2017.

- b. Under previous GAAP, certain capital grant received from Government as 'Promoter Contribution' was shown under the head 'Capital reserve'. Under Ind AS, such grant is set up as deferred income is recognised in profit or loss on a systematic basis over the useful life of the assets for which such grant is received. This has resulted in decrease in Capital reserve by ₹ 33.42 Lakhs as at 31st March 2017 and ₹ 33.42 Lakhs as at 1st April 2016 with a corresponding increase in retained earnings by ₹ 33.00 Lakhs as at 31st March 2017 and ₹ 32.95 Lakhs as at 1st April 2016 and increase in deferred income for capital subsidy by ₹ 0.42 Lakh as at 31st March 2017 and ₹ 0.47 Lakh as at 1st April 2016. Further profit for the year ended 31 March 2017 has been increased by ₹ 0.05 Lakh on account of income of capital grant pertaining to financial year 2016-2017.

##### 3. Derivative instruments

The fair value of derivative instruments is recognised under Ind AS which was not recognised under previous GAAP. Derivative instruments at fair value through profit or loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases. Accordingly, difference on account of fair valuation of these instruments has been adjusted in retained earnings in accordance with Ind AS. This has resulted in increase in retained earnings of ₹ 0.74 Lakh as at 31st March 2017 and decrease in retained earnings of ₹ 0.01 Lakh as at 31st March 2016 and increase in net profit of ₹ 0.75 Lakh for the year ended 31st March 2017.

##### 4. Borrowings at amortised cost

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method (EIR).

Under previous GAAP, these transaction costs were charged to profit or loss as and when incurred. Accordingly, borrowings have been reduced by ₹ 1.55 Lakhs as at 31st March 2017 and ₹ 2.56 Lakhs as at 1st April 2016, retained earnings have increased by ₹ 1.82 Lakhs as at 31st March 2017 and ₹ 2.89 Lakhs as at 1st April 2016 and the deferred expenditure has increased by ₹ 0.27 Lakh as at 31st March 2017 and ₹ 0.33 Lakh as at 1st April 2016. Profit for the year ended 31st March 2017 has been reduced by ₹ 1.07 Lakhs (₹ 1.01 Lakhs as a result of the additional interest expense and ₹ 0.06 Lakh in other expenses).



**5. Defined benefit obligation**

Under Ind AS, remeasurements i.e., actuarial gains and losses are to be recognised in 'Other Comprehensive Income (OCI)' and are not to be reclassified to profit and loss in a subsequent period. Under the previous GAAP, these remeasurements were forming part of the profit or loss. Therefore, actuarial loss amounting to ₹ 0.16 Lakh for the year ended 31st March 2017 has been recognized in OCI (net of tax ₹ 0.11 Lakhs) which was earlier recognised as Employee benefits expense. However, the same has no impact on the total equity as at 31st March, 2017.

**6. Deferred tax**

Under previous GAAP, deferred tax was recognized for the temporary timing differences which focus on differences between taxable profits and accounting profits for the period. Ind AS requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Further, the application of Ind AS has resulted in recognition of deferred tax on certain temporary differences which was not required under previous GAAP. Accordingly, deferred tax adjustments have been recognised in correlation to the underlying transactions in retained earnings in accordance with Ind AS. This has resulted in increase in retained earnings of ₹ 53.22 Lakhs as at 31st March 2017 and ₹ 48.54 Lakhs as at 1st April 2016. The net profit has been increased with ₹ 4.88 Lakhs for the year ended 31st March 2017 with a corresponding adjustment in 'Deferred tax Asset'.

**7. Statement of cash flows**

Under previous GAAP, deposits maturing in more than 3 months but less than 12 months were shown in cash and cash equivalents as the deposits maturing in more than 3 months but less than 12 months, which were maintained by the Company with bank, could have been withdrawn by the Company at any point without prior notice or penalty on the principal. Under Ind AS the same are shown under Bank balances other than cash and cash equivalents. Accordingly, under Ind AS, these deposits are presented under investing activities for the purpose of statement of cash flows. Net effect of this change is increase in net cash used in investing activities by ₹ 60.00 Lakhs as at 31st March 2017 with corresponding decrease in cash and cash equivalents.

**8. Retained earnings**

Retained earnings as at 1st April, 2016 has been adjusted consequent to the above Ind AS transition adjustments.

In terms of our report on even date attached

for ROMESH K. AGGARWAL & ASSOCIATES  
Chartered Accountants  
Firm's Registration No. 000711N

For and on behalf of the Board of Directors of  
HISAR SPINNING MILLS LIMITED

Place: Chandigarh  
Date : 22.05.2018

(RUCHIR SINGLA)  
Partner  
Membership No. 519347

(ANURAG GUPTA)  
Managing Director  
DIN-00192888

(NIKHIL GOEL)  
Director  
DIN-01741446

(SHARAD GOEL) (MANMEET KAUR SIHOTA)  
Chief Financial Officer Company Secretary





## BOOK-POST

*If undelivered please return to :*

HISAR SPINNING MILLS LIMITED  
Regd. Office & Works : 9th K.M. Stone,  
Hisar-Bhiwani Road,  
V.P.O. Dabra (Hisar) 125 005 (Haryana)